



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary

Wisconsin Department of Administration Testimony on the Proposed Audit of Diversity, Equity, and Inclusion Activities

Good morning, Co-Chairs Wimberger and Wittke, and Committee Members:

My name is Kathy Blumenfeld, and I am honored to serve as the Secretary of the Department of Administration. Seated next to me is Jesús Villa, Deputy Administrator, Agency Services, of the Division of Personnel Management.

Diversity, equity, and inclusion has been a priority of the Governor since the beginning of his administration. As noted in the Legislative Audit Bureau's April 30 memo, under the directive of the Governor in Executive Order 59, DOA and its Division of Personnel Management have undertaken a number of initiatives, including the equity and inclusion plans referenced. But this work isn't done exclusively by one agency, nor is it a program that's staffed by a specific staff with policies and procedures like the Legislative Audit Bureau is experienced in auditing. Diversity, equity, and inclusion is a principle and strategy that is executed by every agency and impacts every state employee and the services we provide to the residents of Wisconsin.

Much like CEOs, the state chamber of commerce, local chambers of commerce, as well as small business owners in the private sector, the Governor state recognizes that implementing best practices relating to efforts to support diversity, equity, and inclusion in our workforce allows us to better recruit and retain talented staff, improve outcomes, and deliver effective and efficient services.

By way of example, one way in which this directive has manifested is through the state's 'Hire Anywhere in Wisconsin' initiative, which supports the geographic diversity of the state's workforce. By broadening our hiring horizons to the entirety of the state, rather than just focusing on the regular markets we usually hire in like Madison and Milwaukee, we have been able to recruit skilled workers from across Wisconsin.

As you requested, we are present today to answer questions you may have for us about the proposed audit of Diversity, Equity, and Inclusion Activities.



DATE: May 7, 2024

TO: Members of the Joint Legislative Audit Committee

FROM: Universities of Wisconsin President Jay Rothman

RE: Universities of Wisconsin Testimony on the Proposed Audit of Diversity, Equity, and Inclusion Activities

Good morning, Chairman Wimberger, Chairman Wittke, and other committee members, I appreciate the opportunity to provide some context regarding the Universities of Wisconsin's diversity, equity, and inclusion activities as they relate to the proposed audit.

When I assumed my role nearly two years ago, one of my first objectives was to work with our campuses, the Board of Regents (BOR), and other stakeholders to craft a 5-year strategic plan for the Universities of Wisconsin. That strategic plan, which was adopted by the Board of Regents in December 2022, outlines the goals we are working toward to ensure our campuses can continue to fulfill their mission and effectively serve all of Wisconsin. A prosperous university system leads to a prosperous economy.

Unlike most state agencies, but similar to the Wisconsin Technical College System and, to some extent, the Department of Public Instruction, the Universities of Wisconsin have two distinct groups of people who define our success, namely our employees and our students. For the purposes of my testimony today, I will focus primarily on the second group, our students.

Some of our more ambitious goals under our strategic plan relate to recruitment and retention of more students. Specifically, we are working to increase access to higher education and improve rates of success for students who have historically been less likely to enroll. These initiatives are important at the macro level because Wisconsin, as you well know, is in a war for talent. We cannot win this war if we do not educate a greater percentage of our population beyond the high school level. In addition, at the individual level, the value of a 4-year degree cannot be overstated. Our campuses provide a path to social and economic mobility. We need to encourage more students from underrepresented groups, whether they be first generation students, veteran students, students of lower socio-economic means, or racially diverse students, to attend our universities and create a prosperous future both for themselves and Wisconsin.

Among other things, we are working to close the participation rate gap of students from underrepresented groups by 50%, increase the number of Pell-eligible, in-state students from 26,000 to 35,000, increase enrollment of first-generation new freshman from 8,400 to 10,000, and seek to reduce the retention and graduation rate gaps for students from underrepresented groups as compared to the student body as a whole.

(Cont.)

These goals are important not only for the future of the Universities of Wisconsin, but also the future of our state. The Universities of Wisconsin exist to serve all Wisconsinites. And the data are unassailable that one of the primary paths to individual economic prosperity is through a postsecondary degree. We want to make sure all prospective students are given the opportunity to receive a postsecondary education, not just because it benefits their individual future, but because it benefits Wisconsin's economic future.

The primary mission of our universities is to do everything in our power to promote student success; in fact, every single employee throughout our 13 universities is dedicated to that mission. That means not only improving retention and graduation rates, but making sure all students are able to excel at our schools. We want students to feel a sense of belonging, meaning that they feel respected and welcome in the university community. Students do better and are happier when they fully participate in all that our universities have to offer. We must ensure every student feels welcome on campus if we want them to succeed.

Student success is holistic and encompasses many different aspects of a student's journey through school. Our efforts around diversity and inclusion are one part of student success. I sense there are some misconceptions of what those efforts look like on our campuses. Let me share the definitions of "diversity," "equity," and "inclusion" that are recognized on our campuses.

- Diversity means the various backgrounds, lived experiences, values, and worldviews that stem from differences in culture and circumstance, and understanding how all these identities relate to each other. In other words, diversity is a broad concept. It covers religion, socio-economic status, veteran status, ideology and political affiliation, first generation status, and racial and ethnic differences, to name just a few.
- Equity is the process of identifying and removing barriers that could limit full belonging and participation at our universities. As just some examples, think about the accessibility issues for a disabled student, think about support for a first-generation student who needs understanding and guidance as they start their university journey, and think about a student of color who may feel isolated or different. Our goal is to try to address some of the barriers that may limit success for our students.
- Inclusion is the intentional act of creating an environment where any individual or group is welcomed and valued as a member of the community.

Applying these definitions, a veteran service coordinator, an international student admissions counselor, a rural student recruiter, or a scholar in diversity of thought are engaged in DEI activities. We have to expand the definition of DEI and really reimagine its core purpose. We have to focus on the "I" in DEI so every student is welcome on campus.

(Cont.)

DEI isn't just about removing barriers for racial minorities; it's about removing barriers for all student populations. That means rural students, veteran students, and, yes, students of varying ideologies. Each student is an individual and is diverse in one way or the other. DEI is important on our campuses because it isn't just about recruiting a more diverse student body; it's about ensuring our students excel on campus. And it goes beyond that. We are graduating students into a global world where it is essential that they understand different cultures and worldviews. As a result, part of our DEI efforts must be focused on enhancing the cultural fluency of our students.

Now, I would be remiss if I didn't mention the BOR December resolution related to DEI.

As this committee and the full legislature are aware, an agreement was approved by the BOR in December of 2023, contingent upon legislative action that has now occurred.

As part of the December agreement, among other things, the Universities of Wisconsin agreed to do the following:

- Through December 31, 2026, we agreed not to increase - from the level in effect on the date of approval of the agreement - the aggregate number of positions that serve the Universities of Wisconsin's foundational DEI functions.
- In addition, to continue the enhanced focus on student success, we committed to, through a mixture of normal attrition and active restructuring and reimagining of the DEI function, realign over two academic years at least 33% of the above-referenced roles that existed at the time of the agreement (or at least 43 positions) to areas with a primary focus on academic and student success.
- We have two academic years to work through these changes, and we are committed to ensuring effective realignment of our staffing levels. I fully expect that an audit will be conducted at the end of those two academic years to ensure that we have fulfilled our end of the agreement.

I also want to comment on the scope of the open records request that was the focus of this December agreement.

Under the definition that was included in the original open records request where we identified the DEI positions across our campuses, any position with the words "diversity," "equity," and "inclusion" in the department name, the job title, or the employee's working title, were considered. A working title helps reflect differences in position responsibilities, organizational structures, and institutions. It was not requested, but we included working title to ensure a comprehensive review. However, please keep in mind that this narrow scope did not fully reflect our campuses' student success focused DEI activities as we define them.

(Cont.)

With that more expanded definition, I expect the Legislative Audit Bureau (LAB) will find additional positions and activities across our campuses that were not part of our conversations around the December agreement. As just one example, we have a number of people - such as academic advisors, counselors, and tutors - working to close the retention and graduation rate gaps between students from underrepresented groups and others. We also have employees, consistent with our broader notion of diversity, working with veteran students, international students, students of lower socioeconomic means, and first-generation students. I trust that the LAB and committee members will work with us to understand how we are approaching these issues.

As I stated earlier, DEI initiatives - as we define them - are vital in our mission of student success and serving the state of Wisconsin. We are working to reimagine what DEI means on our campuses and to evolve the culture. These changes do not happen overnight. It will take time, but we are committed to affecting the reimagination.

Thank you again for allowing me to provide testimony.



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary

**Wisconsin Department of Administration Testimony on the Legislative Audit Bureau's
Report 24-3: State of Wisconsin Single Audit**

Good morning, Co-Chairs Wimberger and Wittke, and Committee Members:

My name is Kathy Blumenfeld, and I am honored to serve as the Secretary of the Department of Administration. Seated next to me are Colleen Holtan, our Bureau of Financial Management Director, Trina Zanow, the State's Chief Information Officer, and Dave Pawlisch, our new Division of Energy, Housing, and Community Resources Administrator.

Thank you for the invitation to speak with you today regarding the Legislative Audit Bureau's Report 24-3; the State of Wisconsin's Fiscal Year 2023 Single Audit. Thank you also to the Audit Bureau for their work on this annual compliance audit.

The amount of federal funding administered by state agencies has increased significantly in the years since the coronavirus pandemic, and state employees have risen to the challenge, working to ensure these funds are spent for the purpose intended by the federal government and in compliance with federal rules and regulations.

Taking into consideration the total funding passing through state agencies, we are pleased the findings in this year's Single Audit do not reveal any major issues with the management of these funds, and certainly none that we are unprepared to address. We appreciate the recommendations of the auditors representing opportunities for improvement; our work to implement them is well underway.

We remain committed to ensuring the federal funds entrusted to us are used appropriately and reported in a transparent and well-documented manner, and we look forward to the auditors' validation of these efforts as part of FY 2024 single audit.

We discussed a number of items identified in this report when I was before the Committee to testify on Report 23-26, the State's Financial Statements, so I will keep my remarks brief and welcome any questions you may have.



State of Wisconsin
Department of Health Services

Tony Evers, Governor
Kirsten L. Johnson, Secretary

TO: Members of the Joint Legislative Audit Committee

FROM: Kirsten Johnson, Secretary
Deb Standridge, Deputy Secretary
HJ Waukau, Legislative Director

DATE: May 5, 2024

RE: Audit Report 24-3: State of Wisconsin Single Audit; Audit Report 23-6: Administration of Certain Supplemental Federal Funds, Department of Health Services

In March of 2024, the Legislative Audit Bureau (LAB) published [Report 24-3: State of Wisconsin Single Audit](#), which provided findings and recommendation for the Department of Health Services (DHS) for several topic areas. Specific areas of focus for the Single Audit centered on DHS' administration of the Children's Health Insurance Program (CHIP), reporting requirements, subrecipient funding administration, and COVID-19 testing and EMS services. Additionally, the committee is interested in following up on the recommendations provided by LAB in [Report 23-6: Administration of Certain Supplemental Federal Funds](#), which provided recommendations for DHS stemming from LAB's audit of federal funds the state received from the Coronavirus Aid, Relief, and Economic Security (CARES) and the American Rescue Plan (ARPA) Acts. DHS is committed to operating openly and transparently, while judiciously managing state resources to ensure efficient program operation. DHS is already taking active measures to improve program operations per LAB recommendations, a summary of which is provided below.

Eligibility for the Children's Health Insurance Program (Finding 2023-300)

LAB found that DHS maintained continuous eligibility for separate Children's Health Insurance Program (SCHIP) participants who were over age 19 during the public health emergency (PHE), and questioned costs in the amount of \$12,706,113. During discussions with LAB, the DHS Division of Medicaid Services (DMS) acknowledged they maintained eligibility for CHIP individuals who had turned 19. It was the overarching policy to not terminate health care coverage upon certain changes in circumstances for Medicaid participants during the PHE. To comply with this policy, DHS made system changes at the beginning of the pandemic to maintain eligibility for all participants. After the Centers for Medicare & Medicaid Services (CMS) provided additional information specific to SCHIP, DHS considered making the necessary system changes to terminate SCHIP participants who turned 19 during the PHE. However, due to the system limitations and overarching goals to maintain continuous coverage, DHS temporarily kept all CHIP participants enrolled until the PHE ended.

DMS leaders met with CMS leaders on May 11, 2022, to discuss this compliance issue and related systems limitations. During that meeting, CMS indicated that they understood the system and communication challenges of having a single program that combines Medicaid and CHIP eligibility administration. CMS also acknowledged that the PHE was likely to end at any time, making the required system changes not prudent. CMS further stated they would follow up with Wisconsin if they determined that further state action was needed, but they did not communicate that they felt the compliance issue needed to be addressed. This confirmed the Medicaid Director's decision to not pursue costly systems changes to support a change that might only be needed for a short period of time.

DHS agrees in concept with LAB’s finding and noted that the questioned costs identified do not consider that many (if not most) of the ineligible SCHIP members would have been eligible for Medicaid as childless adults upon aging out of the CHIP program. Further, CMS recently informed DHS in an April 16, 2024, letter that they will not be requesting recoveries associated with the questioned costs by LAB (see attached Exhibit A). As the unwinding is nearing its conclusion the issue of continuous SCHIP eligibility will no longer be an issue moving forward.

The following table illustrates the status of the redeterminations:

Table 1: PHE Unwinding Updates

Group	Number of Renewals Completed	Number of Renewals Remaining
Original Error Cases from LAB		8,996
As of 4/1/24	8,422	574
As of 5/1/24	391	183 – spread out over the last months of unwinding
TOTAL	8,813	183

A total of 8,813 young adults have completed the unwinding renewal review process.

Social Services Block Grant (SSBG) – Subrecipient Contracts (Finding 2023-301)

LAB found that the counties did not accurately identify Temporary Assistance for Needy Families (TANF) funds received from the SSBG program and recommended that DHS update its procedures used in the county contracts so that the accurate assistance living number (five-digit number assigned in the award document for all federal assistance) is reflected. DHS agrees with the audit finding and recommendation. As part of the corrective action plan, DHS updated the Grant Enrollment, Application and Reporting System (GEARS) profile for SSBG to ensure that the correct assistance living number is associated with all future SSBG county contracts.

Social Services Block Grant—FFATA Reporting (Finding 2023-302)

During FY 2022-23, both DHS and Department of Children and Families (DCF) made subawards of \$30,000 or more in SSBG funds to counties. DHS did not report any SSBG-funded subawards to a federal database as required under the Federal Funding Accountability and Transparency Act (FFATA). Generally, DHS funds SSBG related activities from GPR funding first and then transfers funds over to SSBG. Because DHS’s FFATA process only picked up the initial funding used on purchase orders and GEARS contracts, the SSBG amounts were not picked up for our reporting.

DHS agrees with LAB’s finding and has incorporated SSBG funds into its FFATA reporting process. DHS has also talked with DCF about reporting sub-awarded funds for FFATA. DCF has agreed to complete this task for any funds they are sub-granted from DHS.

Medical Assistance Program –IRIS Financial Integrity and Accountability Oversight Activities (Finding 2023-303)

During LAB’s audit of the independent consulting agencies (ICAs) and fiscal employer agents (FEAs) for the IRIS (Include, Respect, I Self-Direct) program, they found that DHS performed some, but not all, of the oversight activities. DHS agreed with the finding to complete an audit of 20 percent of the claims exceeding \$2,500 or more and will conduct this audit for such claims from July 1, 2023, onward. DHS also agreed to complete a data integrity audit of the IRIS participant data submitted by the FEAs through the Information Exchange System. For CY 2022, DHS completed an aggregated comparison by

FEA of submitted encounter and funding data to evaluate the completeness of submissions. As encounter data submissions for CY 2023 are finalized, DHS will conduct an aggregated comparison as well as a detailed data integrity audit of encounter records using random sampling to comply with waiver requirements.

As of this testimony, DHS is nearly complete with the first phase of its CY 2023 data integrity audit and is working with one of the four FEAs on completing their data submissions for the year. DHS has also started the second phase to identify random encounter samples and trace them back to service authorizations and funding submissions.

Of note, this finding was also addressed in the April 16, 2024, letter from CMS. The following is the CMS position on the finding, recommendation, and DHS' response: "CMS concurs with the audit finding and requests that within 30 days the state provide support of corrective actions of audit findings discussed in the audit report."

DMS will include an update as a part of their official response to CMS.

Multiple Programs – Federal Funding Accountability and Transparency Act Reporting (Finding 2023-304)

Subawards of \$30,000 or more are subject to FFATA reporting. In their review LAB noted that one of the 21 subawards they selected for review had not been reported at the time of their review, 17 of the 21 subawards were reported under a date that did not align with LAB's expectations, and DHS had not reported any subawards to the UW for one of the programs. DHS agrees with the audit findings. It is worth noting that this finding is similar to 2023-302 and that no questioned costs or inappropriate funding was noted.

DHS has reassigned FFATA duties to an accountant that can devote more time to ensuring that DHS is capturing all contracts that should be reported. Also, with the transition from CARS to GEARS in FY 2023-24, DHS has now started using a date that more closely aligns with the obligation date LAB requested DHS use. DHS believes the date LAB has questioned has been adjusted for with system improvements. DHS believes the date has minimal to no impact on the federal spending data provided on the federal website. Finally, DHS will develop FFATA procedures to obtain information related to subawards provided to the University of Wisconsin and other agencies.

Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises—Subrecipient Monitoring (Finding 2023-305)

LAB found that risk assessments were completed for subrecipients, but that DHS did not define the level of monitoring to be performed. LAB recommended that DHS develop a written monitoring plan that includes a description of the subrecipient monitoring expected for low-, moderate-, and high-risk subrecipients and the procedures for completing the monitoring. DHS agrees with this finding.

As part of the corrective action plan, a division workgroup was formed, internal controls have been updated, and a division internal control checklist and contract handbook was developed and distributed to grant administrators via an internal training. Additional training is planned by the DHS Division of Enterprise Services (DES) Bureau of Procurement and Contracting (BPC) for the divisions in May 2024. DES will redistribute the applicable policies and operating standards at that same time. DES also placed Risk Assessment and Sub-Recipient Monitoring training on Cornerstone for all staff access. Further, DHS will evaluate its systems so as not to rely on system payments to determine allowable costs as a part of the same corrective action plan.

Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response—Subrecipient Monitoring (Finding 2023-306)

LAB found that monitoring of subrecipient activity was incomplete, and that DHS did not establish written procedures to guide program staff in assessing the extent of subrecipient monitoring necessary for each level of subrecipient risk. It recommended that DHS develop a written monitoring plan and provide sufficient training for staff. DHS agrees with this finding.

Similar to finding 2023-305, a corrective action plan has been developed, a division workgroup formed, internal controls updated, and a division internal control checklist and contract handbook was developed and distributed to grant administrators via an internal training. Similar trainings and materials have also been developed by DES.

Coronavirus State and Local Fiscal Recovery Funds (CSLRF) – Unallowable Costs (Finding 2023-307)

The total funding for the CSLRF program for FY 2023 was \$308,487,403. During their audit, LAB indicates that DHS did not have documentation to support the following claims, and questioned costs of \$103,671:

- \$94,300 paid to a community partner under the COVID-19 Testing Pilot Program;
- \$4,560 paid to a community partner under the COVID-19 Testing Pilot Program;
- \$2,965 related to the software license costs that were charged to the DHS COVID Operations Funding Program outside of the period of performance; and
- \$1,846 paid for testing completed outside of the period of performance for one of the testing laboratories under the COVID-19 LAB Testing and Specimen Collection Program.

DHS agrees with the findings and recommendations put forward by LAB. The DHS Division of Public Health (DPH) worked with the Department of Administration (DOA) and DES to find appropriate alternate funding sources for the questioned costs. After consultation and review it was deemed appropriate that the \$94,300 and \$4,560 in questioned costs would be transferred to the Epidemiology and Laboratory Capacity Grant (ELC). Last, it was deemed appropriate that the \$2,965 licensed software costs and the \$1,846 for COVID-19 testing for one of the testing laboratories be transferred to GPR. All transfers have been completed.

Ageing Cluster—Subrecipient Monitoring (Finding 2023-308)

The U.S. Department of Health and Human Services (DHHS) Administration for Community Living provides funding to DHS to contract with subrecipients for programs and services to support independence and wellness for older adults. LAB found that DHS did not document how subrecipient reports were reviewed, when they were reviewed, or the extent of the review process; and recommended that DHS establish subrecipient procedures for the monitoring and review of quarterly financial reports. DHS agrees with the findings.

Similar to other findings, DHS has developed a corrective action plan. It will also create a centralized tracking procedure and tool that documents receipt of quarterly reports to provide the basis for our annual federal reports. This tracking tool will also document any follow up measures and include the level of monitoring taken for each agency. Additional training is also planned for May 2024 where DES will redistribute the applicable policies and operating standards at that same time. DES also placed risk assessment and subrecipient monitoring training on Cornerstone for all staff access.

Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)—Unallowable Costs (Finding 2023-309)

During their audit, LAB identified costs charged to the CSLFRF program that were unallowable and that were outside of the period of performance. Specifically, LAB found that for two providers, DHS reimbursed \$12,210 but was unable to provide the expense reports or supporting documentation. Additionally, for one provider, DHS did not have documentation to support that \$7,607 in costs were within the period of performance for the CSLFRF program. This resulted in questioned costs of \$19,817.

DHS agreed with the findings and recommendations and will work with providers to obtain additional documentation to support the dollars claimed and charged to CSLFRF.

Audit Report 23-6: Administration of Certain Supplemental Federal Funds (follow-up)

Regarding Report 23-6 DHS continues to make progress on implementing the recommendations set forth by LAB in its report. Additionally, DHS is in the process of winding down its warehouse operations which are anticipated to be completed by early 2025.

DHS appreciates the professionalism of the LAB staff auditors working on the single audit. In addition, we commend our staff for their diligence in responding to the audit requests. Should the Joint Legislative Audit Committee or its members wish, DHS is happy to provide additional information and answer questions the Committee may have.

EXHIBIT A

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop: S2-26-12
Baltimore, Maryland 21244-1850



Financial Management Group
Division of Financial Policy/Audit & Review Branch

April 16, 2024

William Hanna
State Medicaid Director
Administrator, Division of Health Care Access and Accountability
Department of Health Services
1 West Wilson Street, Room 350
Madison, WI 53702

SUBJECT: Single State Audit (SSA) A-05-24-55859 - State of Wisconsin for the Period of July 1, 2022, through June 30, 2023.

Dear Director Hanna,

We have reviewed the SSA Report (CIN A-05-24-55859) issued March 29, 2024, entitled *State of Wisconsin for the Period of July 1, 2022, through June 30, 2023*. Under the federal regulations at 2 Code of Federal Regulations (CFR) 200.521, we have the responsibility to issue a Management Decision Letter (MDL) for the Recommendation Code(s) where HHS/CMS is indicated to be the Resolution Agency. In Attachment A, we have described our concurrence or non-concurrence, corrective action, and timeline for corrective action for each finding.

Our objective is to have all repeat and material instances of noncompliance audit findings cleared as soon as possible in order to avoid any adverse audit opinions in future audits; therefore, we will be actively working with the state to reach that goal. This MDL is based on our review of your organization's responses to the A-05-24-55859 audit and the corrective action plan(s) mentioned in the audit report.

Please note that recoveries based on eligibility errors can only be pursued when identified by programs operating under CMS' Payment Error Rate Measurement program, per section 1903(u) of the Social Security Act and regulations at 42 CFR Part 431, Subpart Q. This limits CMS's ability to recover on most of the SSA eligibility findings. While CMS will pursue the internal control deficiencies noted by the SSA, CMS will not pursue recoveries associated with the questioned costs. This does not preclude recovery for FFP claimed for services to deceased beneficiaries or where inaccurate increased FMAP rates were applied.

For the monetary amount(s), if any, referenced in Attachment A, please make the appropriate adjustments in accordance with 42 CFR 433.300, the time limits identified at 42 CFR 433.316, 42 CFR 457. For findings with amounts to be returned to the Medicaid Program, please make a Line 10A adjustment to the CMS-64 referencing A-05-24-55859; for amounts to be returned to the Children's Health Insurance Program (CHIP), please make a Line 3 decreasing adjustment on the CMS-21 referencing A-05-24-55859. Please provide all supporting documentation for the FFP return.

If an outstanding refund is not received within the time limits identified in 42 CFR 433.316 as referenced above, we may then initiate a disallowance to obtain the recommended refund amount. Under Section 1116(e) of the Social Security Act (the Act), you would have the opportunity either to request reconsideration of this disallowance from the Secretary or to appeal this disallowance to the Departmental Appeals Board (DAB).

Please provide the requested information from Attachment A within 30 days of receiving this letter. Thank you for your cooperation. If you have any questions, please contact Lisa Marie Odeja at (312) 353-8168 or via email at lisa.odeja@cms.hhs.gov.

Sincerely,

Charlie L. Arnold -S
Digitally signed by
Charlie L. Arnold -S
Date: 2024.04.16
16:40:21 -04'00'

Charlie Arnold
Director
Division of Financial Policy
Center for Medicaid & CHIP Services

cc: Gina Anderson - Gina.Anderson@dhs.wisconsin.gov
René Spencer – Rene.Spencer@cms.hhs.gov

ATTACHMENT A

Recommendation Code 1: 778-300-10-2

2023-300 Eligibility for the Children’s Health Insurance Program

Finding: We identified 8,996 SCHIP participants in the CARES system who were age 19 or older as of June 30, 2023. Of these participants, 3,695 were age 19 as of April 30, 2023, 4,578 participants were over age 19 as of April 30, 2023, and 723 participants turned age 19 during May or June 2023.

In a separate analysis, we also identified 1,372 participants who were age 19 or older as of July 1, 2022, who received SCHIP benefits paid through MMIS during FY 2022-23. These participants did not have an open CHIP case in the CARES system for FY 2022-23. Recommendation:

Related Questioned Costs: \$12,706,113

State Response: The Wisconsin Department of Health Services agrees conceptually with the finding, however, the questioned costs identified do not consider that many (if not most) of the ineligible members would have been eligible for Medicaid as childless adults upon aging out of the CHIP program.

Action: CMS concurs with the audit finding and requests that within 30 days the state provide support of corrective actions of audit findings discussed in the audit report. However, because the audit finding involves recoveries based on eligibility errors, which can only be pursued when identified by programs operating under CMS’ Payment Error Rate Measurement program, we are not requesting the recoveries associated with the questioned costs. We are however, pursuing the internal control deficiencies noted by the SSA.

Recommendation Code 2: 778-303-10-0

2023-303 - Medical Assistance Program—IRIS Financial Integrity and Accountability Oversight Activities

Finding: We found that DHS performed some but not all of the oversight activities. For example, DHS required each ICA and FEA to have an annual independent third-party financial audit performed, which DHS was to obtain and review. However, we identified that during FY 202223 DHS had not performed certain financial integrity and accountability oversight activities outlined in the approved waiver, including:

- completing an audit of 20 percent of the claims exceeding \$2,500 or more that were received in biweekly claims files submitted for payment from the FEA; and
- completing a data integrity audit to review the detailed participant data submitted by the FEAs through the DHS Encounter system, including reviewing this data for accuracy and compliance with claim submission standards and source data authorizations, such as the service

provided, the frequency of services, the authorization period, and the date of service.

Recommendation: We recommend the Wisconsin Department of Health Services:

- implement the financial integrity and accountability oversight activities in its approved waiver; or
- determine if alternative oversight activities that meet the objective to provide financial integrity and accountability oversight can be performed; and
- work with the federal government to determine whether an amendment to its current waiver is needed.

Related Questioned Costs: None

State Response: The Wisconsin Department of Health Services agrees with the audit finding and recommendation.

Action: CMS concurs with the audit finding and requests that within 30 days the state provide support of corrective actions of audit findings discussed in the audit report.