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County Demonstration Unit Staff

COUNTY DEMONSTRATION UNIT (CDU) AUDIT PROCEDURE

Subtopic(s): Office of Audit Services, Medicaid

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■ INTRODUCTION

The purpose of this procedure is to provide a general outline of the steps in the audit of Medicaid providers currently being handled by the New York City Department of Social Services' (DSS) County Demonstration Unit (CDU). From audit selection through the final audit report, these audit engagements are extensively controlled by the New York State Office of Medicaid Inspector General (OMIG).

■ AUDIENCE

This policy bulletin is intended for County Demonstration Unit (CDU) staff. It is informational for all others.

■ BACKGROUND

The New York State Department of Health is responsible for the administration of the Medicaid program. As part of this responsibility, OMIG conducts audits and reviews of various providers of Medicaid reimbursable services, equipment, and supplies. Through a State and County Demonstration Project, OMIG entered into a memorandum of understanding with select local departments of social services, including DSS, to conduct audits and investigations of Medicaid providers. As an agent of OMIG, DSS' CDU and its agent will be completing these audits. These audits and reviews are directed at assessing the provider's compliance with applicable laws, regulations, rules, and policies of the Medicaid program as set forth by New York State's Department of Health, Office of Mental Health, and Department of Social Services (Titles 10, 14, and 18 of the New York Codes, Rules, and Regulations [NYCRR]), and the New York State Medicaid Program Provider Manuals.

■ REQUIRED ACTION

A. Selection of Audits - To influence OMIG in providing CDU with audits to work on.

1. The CDU Director requests the *NYC Counties Fee For Service Totals by Provider* spreadsheet from OMIG.
2. The CDU Director selects possible audits from the *NYC Counties Fee For Service Totals by Provider* spreadsheet and sends them to OMIG for approval.
3. On occasion, OMIG makes audit suggestions.

B. Preparation for the Audit

1. The CDU Director receives a copy of the letter of notification that was prepared and sent directly by OMIG to the provider. This letter expresses the intention of starting an audit of the supplies or services claimed from Medicaid by a certain provider.
2. The CDU Director hands the audit over to the Audit Supervisor who assigns it to a respective Primary Auditor. The Primary Auditor is under the supervision of the Audit Supervisor.
3. The CDU Director sends a request to OMIG to give the Primary Auditor and Audit Supervisor access to the Provider Audit Documentation System (PADS) for specific audit engagement. PADS is an online paperless audit workpapers system that can be accessed by OMIG.
4. The Primary Auditor and Audit Supervisor sign the County Demonstration Unit (CDU) Auditor Conflict of Interest Form (**OAS-11**), which is cosigned by their supervisor/manager. The Primary Auditor files these letters in the audit workpapers.
5. OMIG uploads the Access Data File into the Shared Drive which includes reports, tables, samples, and statistics of the audit. The Primary Auditor uses the information in the Access Data File to prepare for field visits to collect documentation for the audit samples.
6. CDU Director adds the new audit to MACTS (Medicaid Audit Case Tracking System). MACTS should be regularly updated by the primary auditor and/or supervisor.

C. Entrance Conference

1. The CDU Director meets with the Primary Auditor and Audit Supervisor to establish an agreed upon date to visit the provider's premises and hold the entrance conference.
2. The CDU Director contacts the provider via email for confirming the date and time of the entrance conference.
3. In case the provider hires an attorney to support them in handling the audit, the CDU Director requests from the provider a written letter of representation by the attorney. The CDU Director informs the Primary Auditor and the Audit Supervisor that the provider is represented by a lawyer. For any correspondence with the provider that takes place thereafter, the attorney will be copied.

1. The Primary Auditor prepares the Entrance Conference Package (entrance conference outline, questionnaire, and sampling methodology) and attendance sheet. At least one week before the entrance conference, the questionnaire will be sent to the provider. The provider will be given at least two (2) days before the entrance conference to return the questionnaire with their response.
2. At the entrance conference, the CDU Director introduces the CDU audit team and responsibilities. The CDU Director explains the audit process and the items in the entrance conference outline.
3. During the entrance conference, the Primary Auditor with the assistance of the Audit Supervisor will ask the provider follow-up questions regarding their response to the questionnaire. At this point in time, the provider may choose to answer the questions and submit the required documentation requested on the letter of notification, such as licenses and a list of administrative staff.
4. During the meeting, the Audit Supervisor or the CDU Director asks the provider for, or suggests to the provider, the tentative timing of the field visits.
5. The Primary Auditor prepares a memorandum of the meeting minutes and sends it to the Supervisor for review.
6. The Primary Auditor emails the OMIG liaisons the memorandum of the meeting minutes, as well as the meeting attendance sheet and questionnaire for their records.
7. Primary Auditor updates MACTS accordingly.

D. Field Work

1. Preparing for field visits: The Primary Auditor uses the Access Data File to prepare for the list of samples for which documentation will be obtained. For audits that are not document-dense (e.g., pharmacy, livery, ambulette, and Durable Medical Equipment [DME]), the list will be used showing the date of service of each sample. For audits that are document-dense (e.g., assisted living), a list will be prepared for the documents required without giving the direct date of service, but instead giving a range of dates which may cover one year or more around the date of service.

2. The Primary Auditor schedules the field visits. Two (2) auditors always attend field visits. If necessary, auditors from the other team or the Audit Supervisor will accompany the Primary Auditor on field visits.
3. The Primary Auditor prepares the attendance sheet for all field visits.
4. The Primary Auditor arranges the documents for the sampled transactions, then scans and uploads them into PADS.
5. The Primary Auditor conducts analysis and reviews documents in accordance with the OMIG protocol for the specific type of audit.
6. The Primary Auditor enters the preliminary findings into PADS. The Primary Auditor writes down comments on PADS and marks each sample as "Prepared." The Primary Auditor informs the Audit Supervisor that the preliminary findings are ready for review.
7. The Audit Supervisor reviews the samples and add notes, if any, and marks each sample as "Reviewed."
8. Primary Auditor updates MACTS accordingly.

Note: If the projected overpayment as a result of the findings reflects a negative Lower Confidence Limit amount, CDU will suggest issuing a Summation Letter and finalize the audit at this stage. CDU will approach the OMIG liaison for their review and consent on CDU's determination.

E. Exit Conference Summary (ECS) and Exit Conference Meeting

1. The Primary Auditor prepares the ECS as per OMIG's approved ECS template and informs the Audit Supervisor once it is completed.
2. The Audit Supervisor performs a quality review of the ECS.
3. After the quality review is performed by the Audit Supervisor, the Primary Auditor uploads the ECS into the Shared Drive and informs OMIG liaisons via email that the ECS is ready for their review and approval.
4. The Primary Auditor responds to changes, if any, suggested by OMIG. The Primary Auditor makes the changes to the findings in PADS as recommended by OMIG and revises the ECS.
5. The Audit Supervisor performs another quality review of the revised ECS and updates PADS.

6. After the Audit Supervisor performs the quality review, the Primary Auditor once again uploads the revised ECS into the Shared Drive and informs OMIG liaisons via email that the revised ECS is ready for their review and approval.
7. OMIG approves the ECS and uploads a PDF copy to the Shared Drive. OMIG informs the CDU Director by email accordingly and gives notification to contact the provider and hold the Exit Conference to discuss the preliminary findings with the provider.
8. The CDU Director contacts the provider via email to establish a date and time to hold the Exit Conference on the premises of the Human Resources Administration (HRA). The CDU Director also contacts the Primary Auditor, Audit Supervisor, and the Assistant Deputy Commissioner for the Office of Audit Services (for Audits with a Lower Confidence Limit amount of at least \$1 million) to establish a date and time to hold the Exit Conference.
9. Approximately two weeks prior to the date of the Exit Conference meeting, the Primary Auditor uploads the approved ECS (in PDF format) and the workpapers related to the samples with findings into the Shared Drive. This information is sent by the Audit Supervisor to the provider electronically via NYS SendVault. The Audit Supervisor prepares the Document Receipt form or any evidence indicating that the provider received the ECS and workpapers.
10. The Primary Auditor prepares the attendance sheet.
11. At the Exit Conference, the CDU Director explains the audit process and gives a summary of the audit results.
12. The Primary Auditor with the assistance of the Audit Supervisor explains the rationale of the findings with the provider. The provider will have the opportunity to submit additional information, and they will be given at least fifteen (15) days to submit additional documents and/or a written argument in response to the preliminary findings.
13. The Primary Auditor prepares the Exit Conference memo and sends it to the Audit Supervisor for review.
14. After the review by the Audit Supervisor, the Primary Auditor sends the Exit Conference memo and the attendance sheet to OMIG.

15. Upon receipt of the provider's response to the ECS and any additional information and documentation, the Primary Auditor uploads everything to PADS.
16. The Primary Auditor reviews and analyzes the provider's response to the ECS and any additional information and documentation.
17. The Primary Auditor schedules a field visit to review original documentation (not copies) and will adjust the findings in PADS, if necessary.
18. The Primary Auditor prepares the *Review of Additional Documentation in Response to the ECS* spreadsheet and submits it to the Audit Supervisor for review.
19. The Audit Supervisor performs quality review and updates PADS accordingly.
20. Primary Auditor updates MACTS accordingly.

Note: If the projected overpayment as a result of the findings reflects a negative Lower Confidence Limit amount, CDU will suggest issuing a Summation Letter and finalize the audit at this stage. CDU will approach the OMIG liaison for their review and consent on CDU's determination.

F. Draft Audit Report (DAR)

1. Taking all the provider's responses and the additional information and documentation into consideration, the Primary Auditor prepares the DAR as per the OMIG-approved DAR template.
2. The Audit Supervisor reviews the DAR.
3. The Primary Auditor uploads the DAR (as a Microsoft Word document) to the Shared Drive and informs the OMIG liaison accordingly that the DAR is available for their review and issuance to the provider.
4. OMIG reviews the DAR. If OMIG is not in agreement with CDU's determination, OMIG informs CDU accordingly and returns the DAR to CDU with their remarks. If approved, OMIG sends the DAR (as a PDF document) to the provider and informs CDU accordingly. OMIG uploads the DAR to the Shared Drive. OMIG usually gives the provider 30 days (plus 7 days for mailing) to respond to the DAR.

5. OMIG usually receives the provider's response to the DAR and advises CDU.
6. After OMIG uploads the provider's response into the Shared Drive, the Primary Auditor uploads it to PADS.
7. The Primary Auditor reviews and analyzes the provider's response and any additional documentation and, if necessary, updates the findings in PADS.
8. The Primary Auditor prepares the *Review of Additional Documentation in Response to the DAR* spreadsheet and submits it to the Audit Supervisor for review.
9. The Audit Supervisor performs quality review and updates PADS accordingly.
10. Primary Auditor updates MACTS accordingly.

Note: If the projected overpayment as a result of the findings reflects a negative Lower Confidence Limit amount, CDU will suggest issuing a Summation Letter and finalize the audit at this stage. CDU will approach the OMIG liaison for their review and consent on CDU's determination.

G. Final Audit Report (FAR) Preparation

1. The Primary Auditor prepares the FAR as per the OMIG-approved template.
2. The Audit Supervisor reviews the FAR.
3. The CDU Director reviews the FAR.
4. The Primary Auditor uploads the FAR (as a Word document) into the Shared Drive and informs the OMIG liaison accordingly for their review and release to the provider.
5. OMIG reviews the FAR. If OMIG is not in agreement with CDU's determination, OMIG informs CDU and returns the FAR to CDU with their remarks. If approved, OMIG sends the FAR (as a PDF document) to the provider, informs CDU, and uploads the FAR to the Shared Drive.
6. The Primary Auditor prepares workpapers in the Shared Drive and/or binders for OMIG's lawyers if the audit goes to hearing. The Primary Auditor and/or the Audit Supervisor or CDU Director prepare to stand as an audit witness(es) before an Administrative Law Judge.
7. Primary Auditor updates MACTS accordingly.

Effective Immediately

■ **ATTACHMENTS:**

OAS-11 (E) County Demonstration Unit (CDU) Auditor Conflict of Interest Form
(3/7/22)



Date: _____

COUNTY DEMONSTRATION UNIT (CDU) AUDITOR CONFLICT OF INTEREST FORM

Staff participating on an audit assignment must be free from personal impairments to independence. Personal impairments of staff members result from relationships and beliefs that might cause staff to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way.

AUDIT NAME:	
AUDIT NUMBER:	
PERIOD COVERED:	
STAFF NAME:	
TITLE:	

SAMPLE

QUESTION	YES	NO	“YES”, state details
1. Do you have an immediate family member (spouse, spouse equivalent, or dependent) or a close family member (parent, sibling, or nondependent child) who is a director or officer of the Medicaid Provider, or as an employee of the Medicaid Provider, who is in a position to exert direct and significant influence over the Medicaid Provider under audit?	<input type="checkbox"/>	<input type="checkbox"/>	
2. Do you have financial interest that is direct or indirect, in the Medicaid Provider?	<input type="checkbox"/>	<input type="checkbox"/>	
3. Were/Are you involved in the operations of the Medicaid Provider being audited?	<input type="checkbox"/>	<input type="checkbox"/>	
4. Do you have preconceived ideas toward individuals, groups, organizations, or objectives of a particular Medicaid Provider that could bias the audit?	<input type="checkbox"/>	<input type="checkbox"/>	

(Turn page)

QUESTION	YES	NO	If "YES", state details
5. Do you have any biases, including those induced by political, ideological, or social convictions that result from employment in or loyalty to, a particular type of policy, group, organization, or level of government?	<input type="checkbox"/>	<input type="checkbox"/>	
6. Are you seeking employment during the conduct of the audit with the Medicaid Provider or an individual or entity with a direct interest in the outcome of the audit?	<input type="checkbox"/>	<input type="checkbox"/>	
7. Is there other reason(s) that could impair your independence?	<input type="checkbox"/>	<input type="checkbox"/>	

I certify that the information that I provided in this questionnaire is true and correct to the best of my knowledge and belief.

SAMPLE

Signature

Date

TO BE COMPLETED BY YOUR SUPERVISOR/MANAGER	
<input type="checkbox"/> Independence not impaired	<input type="checkbox"/> Independence impaired
_____ <i>Reviewer Name</i>	
_____ <i>Reviewer Signature</i>	_____ <i>Date</i>