

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Hutto/Milton German</i>	DATE <i>8-5-13</i>
----------------------------------	-----------------------

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER 000057	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cleared 8/14/13, letter attached</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <u><i>8-14-13</i></u>
	<input type="checkbox"/> FOIA DATE DUE _____
	<input type="checkbox"/> Necessary Action

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			<i>Brenda - Please log to Beth/Milton for appropriate signature.</i>
4.			

Thx.

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RECEIVED

AUG 02 2013

Department of Health & Human Services
OFFICE OF THE DIRECTOR

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

July 24, 2013

Ms. Elizabeth Hutto
Interim Chief Finance Officer
Department of Health and Human Services
1801 Main Street, Suite 1224
Columbia, South Carolina 29201

Dear Ms. Hutto:

Enclosed please find our Cost Allocation Plan for Medicaid Audit Services for FY14. Please confirm in writing that this plan for cost allocation is acceptable to the Department of Health and Human Services.

Thank you for your usual cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Kenneth Harrill".

R. Kenneth Harrill
Director of Administration

rkh
Enclosure

Office of the State Auditor
Cost Allocation Plan
For Medicaid Audit Services
FY 2013-14

The Appropriations Act for FY 2013-14 provides the following:

33.3. (DHHS: Medical Assistance Audit Program Remittance) The Department of Health and Human Services shall remit to the State Auditor's Office an amount representing fifty percent (allowable Federal Financial Participation) of the cost of the Medical Assistance Audit Program as established in the State Auditor's Office of the Budget and Control Board Section 102. Such amount shall also include appropriated salary adjustments and employer contributions allocable to the Medical Assistance Audit Program. Such remittance to the State Auditor's Office shall be made monthly and based on invoices as provided by the State Auditor's Office of the Budget and Control Board.

The monthly invoices submitted to the DHHS in FY 2013-14 will be computed based on the billable audit hours expended on Medicaid audits during the month multiplied by the cost per hour for providing Medicaid audit services in the previous fiscal year. DHHS will be billed for 50% of this computed cost.

The last monthly invoice for FY 2013-14 (June, 2014) will include an amount to adjust the total amount billed to DHHS for FY 2013-14 as follows:

All expenditures for the fiscal year that can be readily identified with Medicaid audits are considered direct costs and will be allocated to Medicaid costs. These direct costs include expenditures such as: personal services, employer contributions, travel, attorney fees, and publications specific to Medicaid programs.

Indirect costs charged to DHHS for the FY 2013-14 are proportional to the actual audit time expended on Medicaid audits in FY 2013-14. All expenditures are considered indirect except for those expenditures that are readily identifiable as

state agency audit, court audit or Medicaid audit expenses, e.g. travel, attorney fees, audit contracts, personal services, and employer contributions.

As provided by Proviso 33.3 of the FY14 Appropriations Act, DHHS will be billed monthly for 50% of the costs.

The Office of the State Auditor has determined to the best of our knowledge that the following assumptions are valid and accurate:

- Management and administrative support costs are the same for a Medicaid billable audit hour as for a state agency or court audits billable audit hour.
- All expenditures are considered indirect except for those expenditures that are readily identifiable as state agency audit, court audit or Medicaid audit expenses, e.g. travel, attorney fees, audit contracts, personal services, and employer contributions.
- The staffing structure of the audit staff does not adversely affect the cost per hour of Medicaid audit services vs. state audit services or court audit services.

**PREPARATION OF THE MONTHLY
MEDICAID INVOICE FOR DHHS
JULY 2013 - JUNE 2014**

The monthly invoice submitted to the Department of Health and Human Services for Medicaid audit services for July, 2013 through May, 2014 will be computed as follows:

1. Through the time system determine the number of billable audit hours expended on Medicaid audits during the month.
2. Multiply the hours from item 1) above by the cost per hour of providing Medicaid audit services during the previous fiscal year.
3. Multiply the result of item 2) above by .5 to determine the amount of the bill to DHHS for the month.

The June 2014 invoice will adjust the total amount billed to DHHS for the fiscal year and will be computed as follows:

1. From the Office of the State Auditor time system determine the percentage of the total billable audit hours that were expended in FY 2013-14 in providing Medicaid audit services to DHHS.
2. From the accounting records of the Office of the State Auditor determine the total of indirect cost expenditures in providing audit services.
3. Multiply the result of item 1) above by item 2) above to determine indirect costs of providing Medicaid audit services.
4. From the accounting records for the Office of the State Auditor determine the total of direct expenditures in providing Medicaid audit services.
5. Add the result of item 3) and item 4) above.
6. Multiply the result of item 5) above by .5. This amount is the total amount due by DHHS for FY 2013-14.
7. Total the monthly bills for July, 2013 through May, 2014.

8. Subtract the result of item 7) from the result of item 6).
9. The result of item 8) is the June, 2014 bill.

Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, S.C. 29201

RECEIVED

AUG 02 2013

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Ms. Elizabeth Hutto
Interim Chief Finance Officer
Department of Health and Human Services
1801 Main Street, Suite 1224
Columbia, South Carolina 29201



Log # 57 ✓

Anthony E. Keck, Director
Nikki R. Haley, Governor

August 14, 2013

Mr. R. Kenneth Harrill
Director of Administration
1401 Main Street
Columbia, SC 29201

Dear Mr. Harrill:

SC Department of Health and Human Services is in receipt of your Cost Allocation Plan for Medicaid Audit Services for FY 2014. We have reviewed the methodology so described and find it to be acceptable.

If you have any questions, please contact Milton German at 803-898-1051.

Sincerely,

Elizabeth Hutto
Interim Chief Finance Officer
Finance and Administration