

**DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR**

**ACTION REFERRAL**

<b>TO</b> <i>Wells</i>	<b>DATE</b> <i>1-28-09</i>
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<b>DIRECTOR'S USE ONLY</b>	<b>ACTION REQUESTED</b>
<b>1. LOG NUMBER</b> <p align="center"><i>100401</i></p>	<input type="checkbox"/> Prepare reply for the Director's signature <b>DATE DUE</b> _____
<b>2. DATE SIGNED BY DIRECTOR</b> <p align="center"><i>CC: Mrs. Folmer Depp</i></p>	<input type="checkbox"/> Prepare reply for appropriate signature <b>DATE DUE</b> _____ <input type="checkbox"/> FOIA <b>DATE DUE</b> _____ <input checked="" type="checkbox"/> Necessary Action

<b>APPROVALS</b> <small>(Only when prepared for director's signature)</small>	<b>APPROVE</b>	<b>* DISAPPROVE</b> <small>(Note reason for disapproval and return to preparer.)</small>	<b>COMMENT</b>
1.			
2.			
3.			
4.			

**From:** William Wells  
**To:** Jan Polatty  
**Date:** 1/28/2009 2:33 PM  
**Subject:** Fwd: Federal Grant Admin. Process ltr w/enclosures  
**Attachments:** Fwd: Federal Grant Admin. Process ltr w/enclosures

Here's that log letter thing. Just log it to me as a necessary action thing.

**RECEIVED**

JAN 28 2009

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

*Put into file to WWP  
c: Emma  
JRP*



Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
61 Forsyth St., Suite. 4T20  
Atlanta, Georgia 30303-8909

January 26, 2009

Emma Forkner, Director  
Department of Health & Human Services  
1801 Main Street  
Columbia, SC 29201

**RECEIVED**

JAN 28 2009  
Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Dear Ms. Forkner:

The Centers for Medicare and Medicaid Services (CMS) is requesting your assistance in making improvements to the Federal Grant Administration process. One of the most critical pieces of the life cycle of a grant award is the final review and closure of an open grant. This occurs once all expenditures have been reported by the State on the appropriate expenditure and disbursement reports.

For the Medicaid and State Children's Health Insurance Program (SCHIP) this would include the quarterly expenditure Form CMS-64 and CMS-21, respectively. The disbursements are reported on the Form PSC-272, (Federal Cash Transactions Report), through the Payment Management System (PMS), under the Division of Payment Management (DPM). The State Agency responsible for Survey and Certification activities reports expenditures on the Form CMS-435 and the corresponding disbursements on the PSC-272 report. The DPM is only able to close out these grant awards once the grant award, associated draws, and related disbursements, *as reported by the States*, on the PSC-272 are in agreement. If the amounts are not in agreement, the grant award cannot be closed. If there has been no activity within a 6-month time period, the grants fall into an inactive status, which prevents closing the grant.

It is the State's responsibility, as a Grantee, to reconcile reports submitted to CMS and to the DPM. Reconciliation consists of ensuring that disbursements equal obligations and expenditures reported on the CMS-64/21 (Medicaid and SCHIP) and the CMS-435 (Medicaid and Medicare Survey and Certification). This includes making correcting adjustments to the PSC-272 to ensure it agrees to the grant award authority and the total amount drawn. The State agency that prepares the PSC-272 report should coordinate with the agency or department that submits the expenditures to CMS to ensure the information reported on the PSC-272 agrees with final CMS grant awards (to the nearest whole dollar).

Ms. Emma Forkner  
Page 2

The PSC-272 "G" report contains a list of inactive grant documents relating to the Medicaid, SCHIP, and Medicaid and Medicare Survey & Certification programs for your State. Please review your next PSC-272 report and correct any inactive documents in the PSC-272 "G" report. The disbursement amounts must agree with the authorization amount. To correct the disbursements in the PMS *smart* link system - select (or "click") the grant award listed on the PSC-272 "G" report, this will move the grant award to the PSC-272 "A" report so that you may make correcting revisions to the PSC-272 report. The disbursements and the draws must equal the grant award.

It appears that Medicaid prior period adjustments are often an issue. The enclosure contains examples of how these prior period adjustments need to be associated with the correct grant award on the PSC-272 report. Also, for your assistance, the enclosure contains other examples where the PSC-272, grant award, or draws are not in agreement with one other. We are also including actions needed to correct the items displayed in our examples. In summary, the purpose of this letter is to ask that States implement a process to ensure disbursements reported on the PSC-272 are in agreement with the amounts reported on the CMS expenditure reports. As part of this process, States are required to monitor and correct any discrepancies on the quarterly PSC-272 reports and review and take corrective actions on any inactive grants identified on future PSC-272 "G" reports. We also request that States ensure expenditures reported on the CMS-64, CMS-21 and CMS-435 agree with the disbursements reported on the respective PSC-272 reports and associated draws from the PMS accounts. This will allow grant awards to be closed timely and properly.

We appreciate your assistance in resolving the inactive grant documents in the PMS system. If you have any questions regarding Medicaid or SCHIP grants, you may contact Deborah Abshire at 410-786-9291. Please direct any questions regarding Medicaid Survey and Certification grants to Denise Mason-Johnson at 410-786-4876 and direct any Medicare Survey and Certification award questions to your appropriate CMS regional office contact. If you need technical assistance regarding the PSC-272 reports, please contact your DPM representative.

Sincerely,



Mary Kaye Justis, RN, MBA  
Acting Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosures

## ENCLOSURE

### EXAMPLES OF PSC-272 DISCREPANCIES & CORRECTIVE ACTIONS

The States submit expenditures for the Medicaid, SCHIP, and the Medicaid and Medicare State Survey and Certification programs - the disbursements that are reported on the DPM's PSC-272 report must reflect the finalized CMS expenditure report. CMS has issued the final grants for FY 2005 and prior for the Medicaid, SCHIP, and Medicaid Survey and Certification programs. The PSC-272 disbursement amounts for 2005 and prior must reflect the same amount that has been reported on the CMS-64 and/or CMS-21 and the CMS-435 report (this must also agree to the amount that has been drawn against the grant award). A review of draws for the Medicaid and SCHIP grants for 2005 and prior years indicate that the funds have been fully drawn against the grant award authority. Our review of open documents show an excessive number of 2005 and prior year awards in which the disbursement and the expenditures reported by the States on the PSC-272 do not equal the grant award and/or no activity has taken place within a 6-month period. We recommend in your review of the PSC-272 G reports to place special attention on any awards reflecting years 2005 and prior. Subsequently, review and correct as necessary 2006 awards. As stated in our letter, we request that you incorporate additional procedures as necessary to continue the process going forward as part of your quarterly grant oversight activities.

#### 1. MEDICAID:

Medicaid grants may include prior period expenditure adjustments through the fourth quarter of the following fiscal year. The States fourth quarter CMS-64 expenditure report is finalized by CMS in the second quarter of the next fiscal year. For example, a 2005 grant will reflect fiscal year 2005 finalized grant awards and prior period fiscal year adjustments through the fourth quarter of fiscal year 2006 [which is issued in the second quarter of the following fiscal year (FY07)]. Potentially, the 2005 grants could have FY05, FY06 and FY07 grant award obligations/de-obligations based on prior period FY adjustments (in accordance with the two-year timely filing rule).

Below is an example of a Medicaid grant that contains a discrepancy of the PSC-272 amount that does not agree with the authorization (grant award) and draw amount. *The PSC-272 must be corrected to reflect the same amount as the authorization and draw.*

Medicaid Grant Example: 0505XXX5028

Authorization \$21,305,012,208    PSC-272 Disbursed \$21,154,151,351    Draw \$21,305,012,208

Corrective Action: A correction needs to be made to the PSC-272 to increase it by \$150,860,857 so that the PSC-272 will agree with the authorization and the total draw amount of \$21,305,012,208.

2. SCHIP:

The SCHIP finalization grant is issued by CMS after the SCHIP allotment three year period of availability has expired. For example, the FY 2005 SCHIP allotments expired at the end of FY 2007 and finalizing grants, which were reconciled to CMS-21 and/or CMS-64.21, were issued by CMS in the second quarter of FY 2008

SCHIP Grant Example: 0505XX5021

Authorization \$24,452,297      PSC-2772 Disbursed \$23,617,263      Draw \$24,452,297

*Corrective Action:* A correction needs to be made to the PSC-2772 to increase it by \$835,034 so that the PSC-2772 will agree with the authorization amount and the total draw amount of \$24,452,297.

3. MEDICAID SURVEY AND CERTIFICATION:

The Medicaid Survey and Certification grant for years 2005 and prior are final and the PSC-2772 disbursement amount must reflect the amount that has been reported on the CMS-435 report. In order to close these grants, the PSC-2772 disbursement amount must be corrected to agree with the grant award.

Below is an example of a Medicaid Survey and Certification grant that contains a discrepancy in the PSC-2772 amount that does not agree with the authorization (grant award) or draw amount; the PSC-2772 must be corrected to reflect the same amount as the authorization.

Medicaid Survey and Certification Grant Example: 0505XX5001

Authorization \$6,869,581      PSC-2772 Disbursed \$1,827,075      Draw \$1,827,133.80

*Corrective Action:* The PSC-2772 needs to be increased by \$5,042,506 to agree with the authorization amount of \$6,869,581. The draw amount will automatically adjust through the PMS algorithm. However, if the State did not draw these funds or all of these funds, the State analyst should contact their respective Regional Office for assistance.

Medicare Survey and Certification Grant Example: 0505XX5000

Authorization – \$2,166,315      PSC-2772 Disbursed – \$2,161,681      Draw – \$2,161,681

*Corrective Action:* The PSC-2772 needs to be increased by \$4,634 to agree with the authorization amount of \$2,166,315. The draw amount will automatically adjust through the PMS algorithm. However, if the State did not draw these funds or all of these funds, the State analyst should contact their respective Regional Office for assistance.