

Section 3.11 Income Maintenance Consortia – 2014

(Revision in Section IM. B.)

This section is applicable to audits of IM Consortia lead counties. This section may also be applicable in whole or in part to IM Consortia member counties depending on the activities the member counties are responsible for performing under the terms of the contracts between the lead counties and the respective member counties.

“Consortium” means the group of counties that have submitted an application for recognition as a consortium under [Wisconsin Statute 49.78](#) and that the department contracts with to be responsible for administering IM programs. A consortium is represented by a lead county agency.

The goal for creating income maintenance consortia is to continue high quality customer service at the local level while achieving administrative and cost efficiencies statewide to address the state’s difficult fiscal situation. Beginning in January, 2012, the department contracted with the consortia lead counties to:

- Conduct application processing
- Perform eligibility processing services
- Provide in-person services
- Coordinate with state staff and consortia partners to ensure provision of the subrogation , benefit recovery, fair hearings, and fraud prevention and identification functions,

Income maintenance consortia lead counties report consortia expenses on CARS Profile #76. CARS allocates these expenses to two other profiles for payment: to Profile #283 IMAA State Share, which is funded with state and local funds, and to Profile #284, IMAA Federal Share, which is funded by a mix of state and federal funds. These federal funds are from the Medical Assistance Program - CFDA # 93.778, the State Administrative Matching Grants for Supplemental Nutrition Assistance Program – CFDA # 10.561, and Children’s Health Insurance Programs - CFDA #93.767. (The respective shares of each of the funding sources is available in the [Listing of CARS Program Funding Sources](#).)

Risk Assessment

Because the program is still relatively new, IM Consortia cannot be considered to be low a low risk program for 2014.

The state share, the Medical Assistance share, and the State Administrative Matching Grants for Supplemental Nutrition Assistance share for the program are all likely to exceed the respective thresholds for Type A programs. In addition, the federal government has identified Medical Assistance, CFDA # 93.778, as a program of higher risk. The compliance requirements and audit procedures for IM in this section supplement the requirements and procedures in the [OMB Circular A-133 Compliance Supplement](#) for State Administrative Matching Grants for

Supplemental Nutrition Assistance and for Medical Assistance. Auditors must ensure that they meet the state and federal requirements for testing major state and federal programs within the context of also ensuring they meet the requirements in this section.

Compliance Requirements and Suggested Audit Procedures

IM A. Activities allowed or unallowed

Review the background information and compliance requirements for activities allowed or unallowed in:

- [DHS Audit Guide](#), Section 2.2 “Activities allowed or unallowed”
- [OMB Circular A-133 Compliance Supplement](#)
 - Part 3 – Compliance Requirements
 - Part 4 – CFDA 10.561 “State Administrative Matching Grants for the Supplemental Nutrition Program”
 - Part 4 – CFDA 93.778 “Medical Assistance Program”
 - Part 6 – Internal Control
- Income Maintenance Contract between the Department of Health Services and the Consortium
 - *Contract Section II.A.* – The lead county agency for each consortium is responsible to the department for its consortium’s compliance with the terms of the contract. All contract activities between the department and the consortium occur through the lead county agency.
 - *Contract Section II.G.* – The consortium must perform the following activities:
 - Entering member data into the designated automated system for IM programs
 - Accurately explaining IM programs and policies to members and others as needed
 - Running and confirming eligibility in the designated automated system for IM programs’
 - Requesting and processing verifications, establishing a claim when an overpayment occurs, explaining estate recovery and subrogation, and filling out appropriate forms
 - Performing all responsibilities related to operation of Electronic Benefit Transfer (EBT) for the FoodShare Program [i.e. SNAP, CFDA #10.561]
 - Additional activities as outlined in the [CARS Manual](#) under CARS Profile 76:

Allowable costs for the IM unit include:

- supervisor's salaries and fringe
- workers' aides and specialists' salaries and fringe
- direct clerical support salaries and fringe
- travel costs associated with the above
- supplies, services, and equipment that can be directly identified to the IM unit

Below are some examples of activities that are allowable expenses to be reported on this CARS profile as long as they are performed for the IM programs:

- 1) Application processing, which may include:
 - Entering member data into CARES
 - Explaining IM programs and complicated policies
 - Collecting a premium

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- Discussing Electronic Benefits Transfer (EBT) for FS, and issuing a vault card
 - Explaining estate recovery and filling out appropriate forms
 - Running and confirming eligibility for IM programs in CARES
 - Sending manual notices
 - Explaining the Forward and Quest cards
 - Employer Verification Form (EVF) processing
 - 2) Review Processing, which may include:
 - Interviewing or entering mail-in reviews into CARES for IM programs
 - Running and confirming eligibility in CARES for IM programs
 - Handling/mailling out brochures
 - Sending out manual notices
 - Explaining customer changes
 - Copying and scanning verification documents
 - 3) Change Processing, which may include:
 - Requesting and processing verifications
 - Entering changes, running and confirming eligibility in CARES for IM programs
 - SMIRF processing
 - 4) Other Case Processing, which may include:
 - Customer service activities including referrals, home visits, outreach and coordinating activities with other partners
 - Lost EBT cards
 - Handling alerts
 - Handling overpayments
 - Preparing for fair hearings
 - Processing IM burial reimbursement
- Listed below are examples of activities that are NOT an allowable expense:
- Any administrative costs relating to county only programs including county burial administrative costs
 - Costs that should be claimed to other programs, i.e. Child Care and W-2 administration and/or eligibility, even if the costs exceed that programs contract allocation

- Additional activities specified as consortium responsibilities in [Wis. Stat. 49.78\(2\)\(b\)](#):

1. That the multicounty consortia shall be responsible for all of the following administrative functions related to income maintenance programs:
 - a. Operating and maintaining a call center.
 - b. Conducting application processing and eligibility determinations.
 - c. Conducting ongoing case management.
 - d. Providing lobby services.
2. That the department and multicounty consortia shall cooperate to provide the following administrative functions related to the income maintenance programs:
 - a. Conducting subrogation and benefit recovery efforts.
 - b. Participating in fair hearings.
 - c. Conducting fraud prevention and identification activities.

- Assume responsibility for existing ESC case overpayments no sooner than October 1, 2012

Suggested audit procedure(s)

Perform the audit procedures for activities allowed or unallowed in:

- [DHS Audit Guide](#), Section 2.2 “Activities allowed or unallowed”
- [OMB Circular A-133 Compliance Supplement](#)
 - Part 3 – Compliance Requirements
 - Part 4 – CFDA 10.561 “State Administrative Matching Grants for the Supplemental Nutrition Program”
 - Part 4 – CFDA 93.778 “Medical Assistance Program”
 - Part 6 – Internal Control

IM B. Allowable cost, matching, and reporting

Review the background information and compliance requirements for 1) allowable costs, 2) matching, and 3) reporting in:

- [DHS Audit Guide](#)
 - Section 2.3 “Allowable Costs”
 - Section 2.5 “Matching, level of effort, and earmarking”
 - Section 2.6 “Reporting”
- [OMB Circular A-133 Compliance Supplement](#)
 - Part 3 – Compliance Requirements
 - Part 4 – CFDA 10.561 “State Administrative Matching Grants for the Supplemental Nutrition Program”
 - Part 4 – CFDA 93.778 “Medical Assistance Program”
 - Part 6 – Internal Control
- Income Maintenance Contract between the Department of Health Services and the Consortium
 - *Contract Section II.A.* – The consortium agrees that the Income Maintenance functions performed and services provided, as specified in this contract, shall be performed in accordance with state statutes and administrative rules, federal statutes, rules and regulations, and court orders, and shall meet the requirements of this contract, of the division numbered memo series, of the [Allowable Cost Policy Manual](#) and the [Financial Management Manual](#), as set forth in or established by the department under the authority granted to it by state and federal statutes, rules, regulation and court orders.
 - *Contract Section IV.A.* – The consortium shall submit all claims for reimbursement under the contract on a monthly basis. Claims for reimbursement shall be based on the costs incurred in providing services under the contract during the month covered by the report.
 - *Contract Section IV.C.4.* – The department will use it reasonable best efforts to obtain local share/federal match (earned) for IM programs and, unless prohibited by law, will pass through to the consortium any federal funds earned above the consortium’s Income Maintenance Administrative Allocation (IMAA). (This means that the consortium may

- earn federal funds in excess of the contract amount if the consortium makes the required match from non-federal sources and in accordance with the [Allowable Cost Policy Manual](#).) Federal funds are earned through the Income Maintenance/Wisconsin Works Random Moment Sample (IM/W2 RMS) in accordance with the federally approved cost allocation plan. The consortium will participate in the IM/W2 RMS. The consortium will report shared costs in compliance with instructions for IM/W2 RMS. The department and the consortium shall cooperate to ensure appropriate federal earnings.
- *Contract Section IV.E.1.* – Distribution and reporting of Agency Management Support and Overhead (AMSO) will be in accordance with the federally approved cost allocation plan for local organizational units. Consortium employee roster information will be provided to the department in compliance with instructions from the department for the Income Maintenance (IM)/Wisconsin Works (W-2) RMS.
 - *Contract Section IV.E.2.* – The consortium will report monthly Income Maintenance administrative costs using generally accepted accounting principles and following the department’s [Allowable Cost Policy Manual](#).

Suggested audit procedure(s)

- Perform the suggested audit procedures for 1) allowable costs, 2) matching, and 3) reporting in:
 - [DHS Audit Guide](#)
 - Section 2.3 “Allowable Costs”
 - Section 2.5 “Matching, level of effort, and earmarking”
 - Section 2.6 “Reporting”
 - [OMB Circular A-133 Compliance Supplement](#)
 - Part 3 – Compliance Requirements
 - Part 4 – CFDA 10.561 “State Administrative Matching Grants for the Supplemental Nutrition Program”
 - Part 4 – CFDA 93.778 “Medical Assistance Program”
 - Part 6 – Internal Control
- Review contract for terms and conditions, and special addenda to understand the allowable cost requirements for this program. Review CARS profiles for IM programs to understand the accurate reporting of expenses and revenues.
- Determine whether costs are properly allocated across all programs, including costs that should be allocated to non-DHS programs such as W-2 and Child Care.
- Test expenditure records and supporting documentation to determine whether only allowable expenditures were charged to the program.
- Verify that the match from non-federal sources is not used to match other federal funds and has been expended on allowable services for Income Maintenance Administration.
- If purchases of information technology equipment have been charged to the IM program in the past year, verify that the equipment
 - Is used by the IM program
 - Is appropriately cost allocated if used by other programs as well (such as W-2 or child care)
 - Is appropriately capitalized and depreciated in accordance with the [Allowable Cost Policy Manual](#) and generally accepted accounting principles

- For AMSO and RMS:
 - Verify that the employee counts reported to the state are complete, and that employees were identified with the correct functional area.
 - Verify that the AMSO costs reported to the state
 - can be reconciled to the accounting records
 - are supported by adequate documentation
 - represent only those costs not charged directly
 - Verify that the share costs reported to the state
 - can be reconciled to the accounting records
 - are supported by adequate documentation
 - represent only those costs not charged directly
 - **Revised** - If the caseworker reported client case number(s) in response to the state’s RMS polling, verify that the case number(s) were for active client(s) or applicant(s) of that reported program at the time of the RMS contact and that there was evidence of activity for the RMS contact date in the client case file(s).
 - **New** - If the caseworker did not report client case number in response to the state’s RMS polling, verify that there is a note in the comments section of the response describing an activity, including but not limited to, screening and intake (early stage of determination for whether a client qualifies for programs), research/reading manuals, training, general administration functions, or that the worker was on break or leave.

IM C. Sub-contracts

Review the background information and compliance requirements for procurement, suspension and debarment, and sub-recipient monitoring in:

- [DHS Audit Guide](#), Section 2.2 “Procurement and suspension and debarment” [The *DHS Audit Guide* does not have a section for sub-recipient monitoring.]
- [OMB Circular A-133 Compliance Supplement](#)
 - Part 3 – Compliance Requirements
 - Part 4 – CFDA 10.561 “State Administrative Matching Grants for the Supplemental Nutrition Program”
 - Part 4 – CFDA 93.778 “Medical Assistance Program”
 - Part 6 – Internal Control
- Income Maintenance Contract between the Department of Health Services and the Consortium
 - *Contract Section XIV.C.* – The consortium remains responsible for performance of any service under this contract that is subcontracted.
 - *Contract Section XIV.D.* – The consortium may subcontract for some or all of the services covered by this contract with the exception of eligibility determination, which must be performed by a consortium that has been certified by the department. Contracts must adhere to [Wis. Stats. 46.036](#) and the department’s policies and procedures. All subcontracting requirements must be approved by the department as described in the Administrator’s Memo Series.

- *Contract Section XIV.E.* – The consortium shall establish instructions and monitoring procedures to ensure that each subcontractor complies with this contract, applicable state and federal laws, rules and regulations and the department’s policies and procedures.
- *Contract Section XIV.F.* – Prior to signing a subcontract with a “related party” as defined in the department’s Financial Management Manual, and regardless of the subcontract approval procedure used, the consortium shall notify the department’s contract administrator of any such proposed contract.
- *Contract Attachment C – Certification Regarding Debarment and Suspension* – The lead agency’s signatory certified that to the best of his or her knowledge and belief the agency and its principles:
 - Are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any federal department or agency;
 - Have not within a three year period preceding the proposal been convicted of or had civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a public (federal, state, or local) transaction violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statement, or receiving stolen property;
 - Are not presently indicted or otherwise criminally or civilly charged by a governmental entity (federal, state, or local) with commission of any of the offences enumerated in the second sub-bullet, above; and
 - Have not within a three year period preceding this application/proposal had one or more public transaction (federal, state, or local) terminated for cause or for default.
 In addition, the applicant agreed to include this contract clause in all lower tier covered transactions.

Suggested audit procedures(s)

- Perform the audit procedures for procurement, suspension and debarment, and sub-recipient monitoring in:
 - [DHS Audit Guide](#), Section 2.2 “Procurement and suspension and debarment” [The *DHS Audit Guide* does not have a section for sub-recipient monitoring.]
 - [OMB Circular A-133 Compliance Supplement](#)
 - Part 3 – Compliance Requirements
 - Part 4 – CFDA 10.561 “State Administrative Matching Grants for the Supplemental Nutrition Program”
 - Part 4 – CFDA 93.778 “Medical Assistance Program”
 - Part 6 – Internal Control
- Determine whether the contract between the lead county and member counties
 - Was in the form that was approved by the department
 - Was signed by both the lead county agency and the member county agency prior to beginning work under the contract

- Described all subcontracted activities, and these activities do not include eligibility determination
- Specified the pertinent compliance requirements for those activities
- Determine whether the lead county agency’s monitoring of the member county agencies
 - Was ongoing throughout the contract period
 - Included review of performance reports
 - Included preauthorization for payment
 - Ensured timely correction of noncompliance

IM D. Information technology (IT) security

Review the background information and compliance requirements in:

- [DHS Audit Guide](#), Section 2.7 “Information technology (IT) security provisions in the state/county contract.” (Many of the provisions for IT security and HIPAA in the State/County contract apply to the IM consortia.)
- Income Maintenance Contract between the Department of Health Services and the Consortium
 - *Contract Section II.B. (selected parts)* – The consortium shall
 - Keep all EBT POS equipment that is located in the Consortium in a secure place.
 - Designate an individual as a security officer to be responsible for ensuring compliance with security precautions for the EBT POS equipment, confidential data, and user access.
 - Comply with the provisions contained in HIPAA and 45 CFR 95.621 and any other applicable federal or state laws or requirements for maintaining security and privacy for protected health information, personally identifiable information and any other confidential information.
 - *Contract Section II.D. and Business Associate Agreement, Attachment D* – Under HIPAA, the consortium is deemed to be a business associate to the department, and thus must comply with the requirements of the Business Associate Agreement, Attachment D to the contract.
 - *Contract Section XIII.* – The consortium shall provide for information technology security in accordance with the department’s policies and procedures.

Suggested audit procedure(s)

Perform the audit procedures listed in the [DHS Audit Guide](#), Section 2.7 “Information technology (IT) security provisions in state/county contract.”

IM E. Illegal acts and other misconduct

Review the background information and compliance requirements in:

- [DHS Audit Guide](#), Section 2.10 “Illegal acts and other misconduct.”
- Income Maintenance Contract between the Department of Health Services and the Consortium

- *Contract Section II.H.* – The consortium shall notify the department within five (5) days when it has actual knowledge of fraudulent activity committed by staff within the IM programs or subcontractors. The consortium shall take appropriate steps to prevent destruction of records needed to determine whether such fraudulent activity has occurred and shall take steps to mitigate losses to the IM programs.

Suggested audit procedure(s)

- Perform the audit procedures listed in the [DHS Audit Guide](#), Section 2.10 “Illegal Acts and other misconduct.”

Presentation of findings

See Section 4.11 of the [Main Document to the State Single Audit Guidelines](#) for guidance on development of an audit finding. When presenting findings related to IM Consortia, identify the program and the specific compliance requirement (example “IM A. Activities allowed or unallowed”).

Questions

Please send questions by email to DHSAuditors@Wisconsin.gov and include the identifier for the audit procedure (example “IM A. Activities allowed or unallowed”) and the name of the auditee in the message.