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Secretary of State

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Deputy Secretary of State



**Audits Division**  
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February 14, 2007

Howard "Rocky" King, Administrator  
Office of Private Health Partnerships  
250 Church St. SE, Suite 200  
Salem, OR 97301-3921

Dear Mr. King:

The statewide single audit that included selected federal awards at the Office of Private Health Partnerships for the year ended June 30, 2006, has been completed.

This statewide single audit work is not a comprehensive audit of your federal awards. Instead, this single audit permits us to report on the state's internal control and the state's compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major federal program. Regular audits of the Office of Private Health Partnerships will continue on a periodic basis.

We determined whether the Office of Private Health Partnerships substantially complied with the federal requirements relevant to the following federal program.

<u>CFDA Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
93.767	State Children's Insurance Program	\$22,593,128.17

Based on our audit, we identified a reportable condition needing corrective action. Our finding and recommendations are presented in the enclosed Audit Findings and Recommendations Summary accompanying this letter.

The reportable condition, along with your response, will be included in our Statewide Single Audit report, for the year ended June, 30 2006. Including your response with responses from other state agencies satisfies the federal requirement that management prepare a Corrective Action Plan (CAP) covering all reported audit findings. Satisfying the federal requirement in this manner, however, can only be accomplished if the response to each finding includes the information specified by the federal requirement, and only if the response is

received in time to be included in the audit report. The following information is required for each response.

1. Your agreement or disagreement with the finding. If you do not agree with an audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

For the reportable condition, we must receive your written response by February 20, 2007, for it to be included in the Statewide Single Audit report. Should you have any questions, please contact Michelle Rock or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Kelly L. Olson, CPA  
Audit Manager

cc: Becky Frederick, Accounting Manager  
Lindsay Ball, Director, Department of Administrative Services

**Audit Findings and Recommendations Summary**  
**Office of Private Health Partnerships Statewide Audit**  
**State Fiscal Year 2006**

**REPORTABLE CONDITION**

**State Children's Insurance Program**  
**Eligibility and Allowable Activities**  
**Questioned Costs \$6,285**  
**(Material Weakness)**

The Office of Private Health Partnerships (department) administers the Family Health Insurance Assistance Program (FHIAP). Through FHIAP, eligible uninsured Oregonians can receive premium subsidies for the purchase of private health insurance. State Children's Insurance Program (SCHIP) funds are used to pay for insurance premium subsidies and costs associated with administering FHIAP.

Federal requirements state that eligibility for SCHIP is to be determined every 12 months; available resources cannot exceed \$10,000 and income cannot exceed 185 percent of the federal poverty level. In our review of 40 case files, we identified errors in eligibility determinations and subsidy payment calculations. Specifically, we found:

- Income reported on an application was not used by the eligibility worker to calculate eligibility. The amount reported on the application was significantly higher than the amount calculated by the eligibility worker. Based on information from the applicant's case file and discussion with department management, the client was ineligible to receive benefits. Total questioned costs are \$808.
- The department determined an applicant to be eligible even though they had resources in excess of \$10,000 as they had an Individual Retirement Account (IRA). According to Oregon's state plan, IRAs are considered a liquid asset. However, the department's operational protocol does not specifically list IRAs as part of investments and savings. The protocol excludes qualified retirement funds but an IRA does not meet the Internal Revenue Service's definition of a qualified retirement plan. Total questioned costs are \$1,583.
- Subsidy payments were made to cover health insurance for an ineligible person. The family receiving the subsidy requested that a member be removed from coverage because the member was receiving insurance

benefits under another program. The department changed its records to indicate the person was not approved, but the department continued to subsidize the monthly insurance premium for the entire family. Total questioned costs are \$1,364.

- Subsidy payments were made to a family that was dual enrolled in FHIAP and the Oregon Health Plan (OHP). OHP is a benefit package, primarily using Medicaid and SCHIP funds. According to state rules, dual enrollment in both FHIAP and OHP is not permitted. The applicant was first enrolled in FHIAP and was appropriately determined to be eligible. During eligibility redetermination the department discovered the dual enrollment. Questioned costs for this sample item total \$2,224.
- An applicant's subsidy reimbursement payment was incorrectly calculated as the result of an input error, resulting in questioned costs of \$306.
- In one instance, a SCHIP subsidy payment was incorrectly recorded as Medicaid expenditures in the accounting system. Currently, department records indicate the person was eligible for SCHIP. The department did not document an explanation of what occurred as to why the payment was recorded as Medicaid instead of as SCHIP expenditures.

In total, we identified \$6,285 in questioned costs. When projected to the population, questioned costs exceed \$10,000.

**We recommend** department management implement a quality control or monitoring process over eligibility processes and subsidy payment calculations. We also recommend the department ensure all changes made are clearly documented. Finally, we recommend the department work with the federal government to resolve and correct the errors identified.