

**Testimony**  
**House Bill 1191 - Department of Human Services**  
**House Government and Veteran Affairs Committee**  
**Representative Jim Kasper, Chairman**

January 31, 2019

Chairman Kasper and members of the House Government and Veteran Affairs, I am Tom Eide, Director of Field Services and Chief Financial Officer for the Department of Human Services (Department). I appear today to testify on House Bill 1191.

The audit function of the state is an important process. The auditors provide a review of systems and processes to identify potential areas where there could be issues of compliance with state and federal guidelines or even specific department policies.

Many identified concerns are easily addressed with changes in process, retraining of staff or simply changing an authority structure. However, there are findings that may be much more complex, dealing with system changes that may be out of the direct control of the department.

One such example that is currently resulting in consecutive findings in eligibility is founded in one of our software projects. We have a specific compliance issue regarding the verification of certain entries. The solution for meeting this compliance requirement is met with the implementation of our new software solution. The challenge is that this project (using both State and contracted resources) is still not implemented. The result is that it will show as a repeat finding.

Another example is the repeated finding regarding establishment of a Medicaid Fraud Control Unit. This has been a repeated finding in the department for both the agency and the single audit and in the 2017 audit was a finding to the Governor's office. The establishment of this unit is a legislative decision and was proposed in previous sessions, including both stand-alone legislation and amendments. It is proposed again this session as Senate Bill 2347. In the prior sessions, it was

defeated and subsequently the department did not establish the Medicaid Fraud Control Unit – thus continuing and repeating the finding.

As this bill is written, it would result in a reduction of the appropriation for that agency by 1%. The Department of Human Services budget now approaches \$4 billion. It is unclear to what extent such a reduction would apply. In addition, the department's budget is largely grants – funding goes to provide for Medicaid, foster care services, child care support, behavioral health services and even provide for heating support.

If the penalties as identified in this bill were enacted, it would directly impact the very individuals the department is attempting to serve not just in general fund terms but the associated federal funds as well. The department would be unable to provide the benefits to citizens that we are mandated. The department without proper funding will not be able to meet its statutory obligations set forth by the legislative assembly.

The department can provide other examples of historical findings that could be a result of reliance on county personnel to complete information, disputed findings as a result of differing interpretations of federal guidelines or reliance on secondary agencies to complete work on the department's behalf. This bill could allow for any of these issues to result in citizens not receiving the support or benefits the department is required to provide.

The department understands the importance of the audit process and the need to prevent or respond to findings in that process. We work with the audit department in a cooperative fashion in an effort to constantly improve and enhance our processes. We appreciate the bill's authors intentions to emphasize the importance of responding to findings. However, the department believes the implementation of reductions in appropriations for consecutive findings would have significant unintended consequences for the very citizens we are working to serve.

This concludes my testimony and I am happy to answer any questions. Thank you.