

# Three Common Federal Reporting Mistakes And How to Avoid Them

State agencies face many challenges with preparing and submitting their federal financial reports. Increasing reporting requirements, lack of staff resources/continuity, outdated and inefficient work processes, underlying data systems, and limited federal guidance have all caused significant errors in state financial filings. State and federal auditors are beginning to detect these errors through specialized reviews of federal reports that span several fiscal periods. The findings from these reviews have resulted in the return of millions of dollars to the federal government, paid back with state dollars.

Following are the three most costly federal reporting mistakes committed by state agencies:

1

## **Inability to reconcile CMS-64 to state records and payment management system**

Due to a lack of coordination between agencies and departments responsible for budget, program, and finance, states struggle to satisfy one of the basic requirements to finalize Medicaid grant awards: accurately reconciling their quarterly CMS-64 to source accounting/claim records. States that fail to do so run the risk of incurring debilitating deferrals and disallowances of Medicaid federal funds or having to use unappropriated state dollars to fund programs. Likewise, states that do not regularly reconcile the CMS-64 to subaccounts in the payment management system often miss out on federal funds they are entitled to due to timely filing requirements. A single audit finding in one state noted mismanaged Medicaid funds in the amount of \$300 million that were returned to the federal government with state dollars over several budget periods.

2

## **Inadequate and undertrained staff**

Medicaid federal report preparers require years of Medicaid financing and budgeting experience to accurately complete report submissions. State agencies that experience high turnover with senior staff have struggled with reporting mistakes caused by inexperienced preparers and overly complicated or manual completion procedures. These mistakes are often repeated over several fiscal periods and are not identified through the routine review performed by federal analysts and state auditors. For example, one state Medicaid agency repeatedly drew federal matching dollars from Medicaid grants for expenditures related to their Children's Health Insurance Program (CHIP) expansion population. By the time the state realized this mistake, tens of millions of federal CHIP dollars that should have been used to fund these expenditures had already been recovered through CHIP redistribution.

3

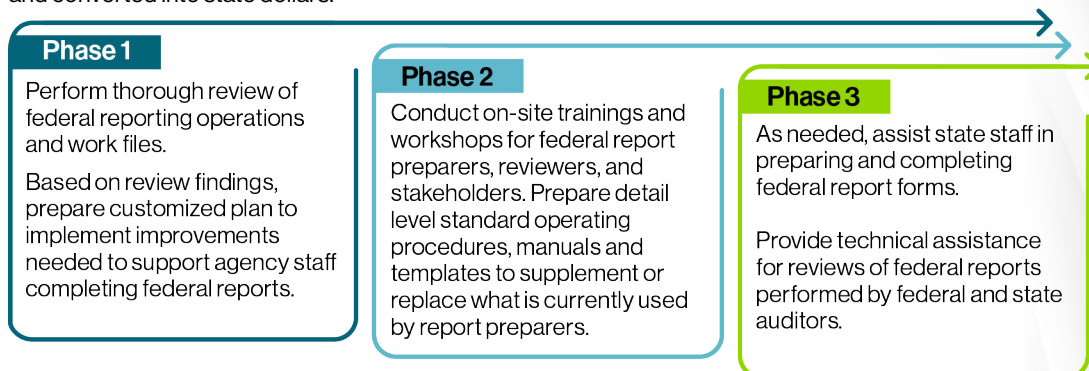
## **Outdated and insufficient accounting systems, policies, and procedures**

State accounting and claim systems are typically not designed to track and report what is needed for federal reports. Preparers are forced to use manual workarounds and best available system extracts to keep up with changes in reporting standards. As a result, states have both overclaimed and underclaimed millions of federal dollars due to:

- Medicaid collections that were netted against claims payments to providers
- Returning the federal share of Medicaid overpayments for bankrupt providers
- Inaccurate Medicaid managed care data used to claim enhanced federal match
- Misreporting Medicaid waiver expenditure data on the CMS-64 causing delays in the waiver renewal process
- Part B premiums being claimed based on erroneous eligibility data

## How Guidehouse can help

Each state client requires a tailored approach based on the needs of the agencies responsible for federal report submissions. Our proven process begins with a careful assessment of these needs and then creates a plan with the primary goal of empowering agency staff completing these reports. A byproduct of executing this plan is often identifying significant sums of underclaimed federal dollars that can immediately be claimed and converted into state dollars.



## Our Subject Matter Experts

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### Teia Miller

*Managing Consultant*  
[tmiller@guidehouse.com](mailto:tmiller@guidehouse.com)

Teia has 18 years of Medicaid experience. She spent most of her career with the U.S. Health and Human Services / Centers for Medicare and Medicaid Services (CMS) – Center for Medicaid and CHIP Services, Philadelphia Regional Office. She was the Financial Management Branch Manager for three years wherein she directed the financial oversight and monitored the Medicaid and CHIP program financial activities and projects for six state Medicaid agencies.



### Trinia Hunt

*Managing Consultant*  
[thunt@guidehouse.com](mailto:thunt@guidehouse.com)

Trinia has 25 years of progressive responsibility and operational leadership experience which includes roles as a front-line manager in one of seven CMS Financial Management Branches in the Division of Financial Operations, as well as principal advisor to the Director for the Division of Medicaid Financial Operations-West. Trinia is recognized for her technical assistance on Medicaid statutes, laws, policies to state legislators, State officials, advocacy groups, and Congressional inquiries.



### Amr Ali

*Managing Consultant*  
[aali@guidehouse.com](mailto:aali@guidehouse.com)

Amr is a former CMS Regional Office branch manager in Atlanta and Fiscal Director for the state of Tennessee. He is an expert with deep knowledge of the concepts, principles, practices, laws, and regulations that apply to budgeting for substantive Medicaid programs and services. This knowledge includes how Medicaid accounting and claims systems are properly designed to report on federal Medicaid/CHIP expenditure reports. Amr has led teams that include CMS, contractor, and state agency staff in conducting oversight reviews.



### Michael Horoho

*Associate Director*  
[michael.horoho@guidehouse.com](mailto:michael.horoho@guidehouse.com)

Michael has more than 10 years of experience preparing and supporting quarterly CMS-64, CMS-37, and CMS-21 filings. This includes supporting states with single state audits, Financial Management reviews, and OIG audits. Michael specializes in applying innovative technologies, techniques, and processes to improve the efficiency and accuracy of quarterly submissions. He has performed these services in Alabama, Georgia, Arkansas, Louisiana, Virginia, Louisiana, Delaware, and New Mexico.

For more information:



@guidehouseHC



[linkedin.com/showcase/guidehouse-health](https://www.linkedin.com/showcase/guidehouse-health)

## About Guidehouse

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