DHA UBO Webinar: Audit Readiness

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Presented by: Jennifer Lewandowski, DHA UBO
September 2022

Agenda

- The Importance of Passing a Financial Audit
- Financial Audit Opinions
- DHA UBO Overview
- Key Stakeholders
- The Audit Cycle
- Market Overview
- Resources

The Importance of Passing a Financial Audit

- The Department of Defense is the only U.S. government department that has failed to achieve an Unmodified Audit Opinion (a.k.a. Clean Opinion) for its Financial Statements.

- Ensuring DoD financial statement audits are conducted on an annual basis can lead to operational improvements ultimately saving millions of dollars while positioning DoD for readiness and deployment.

- Financial statement audits not only determine the accuracy of financial records, but also provide actionable feedback on weaknesses and inefficiencies in DoD's financial management processes that, if corrected, can result in more efficient operations, better decision-making, and better use of the significant resources provided to DoD.

Financial Audit Opinions

- Unmodified Opinion (a.k.a. Clean Opinion)
  - Financial statements are prepared and presented, <u>in all material respects</u>, in accordance with the applicable financial reporting framework.

- Modified Opinion
  - Financial statements <u>are not</u> prepared and presented fairly, <u>in all material respects</u>, in accordance with the applicable financial reporting framework.

- Disclaimer Opinion
  - A statement made by an auditor that <u>no opinions</u> being given regarding the financial statements of the audit client; Not enough evidence presented to make determinations.

- Adverse Opinion
  - Financial statements are <u>materially misstated,</u> and such misstatements have pervasive effect on the financial statements.

DHA UBO Overview

Uniform Business Office (UBO)

- **Billing**
  - Errors & scrubbing
  - Rejection processing
  - DD7/SF1080 Billing
  - Prospective payment calculations
  - Elective Cosmetic Surgery
  - HIPAA 837 transactions
- **Follow Up**
  - Adjustments and write-offs
  - Refunds / Credit balance
  - HIPAA 276 / 277
  - Initial and final denials
- **GFEBS/ADS Entry**
  - Transaction recording
  - Transaction Reconciliation

- **Transaction Processing**
  - Collections
  - Payment Posting & Adjustments
  - Denial
  - HIPAA 835
  - Unposted payments
  - Dining Hall (cash & electronic)
- **Payment Plans**
  - Plan Development
  - Financial Viability Assessment
  - Payment Compliance/ Monitoring
  - Default Referral

- **Delinquent Debt**
  - DAMP
  - Validation & Prep
  - Transfers (DFAS/CSNG)
  - Disputes
  - Collection Reconciliation
  - Dent close-out / write-off
- **Reporting**
  - CIR & IPAC Reconciliation
  - Treasury Activity Reconciliation
  - Deposit, Monthly Activity, Aged A/R, Federal Receivables, & ad-hoc reporting
- **Regulatory & Compliance**
  - Congressional Response
  - Audit Response
  - NDAA Sec 717
  - Medicare Billing Policies
  - VA Billing

Key Stakeholders

Kearney & Company

01

- Kearney & Co. is a CPA firm that specializes in audit, consulting and technology within the federal sector

Cotton & Company

02

- Because Kearney & Company is responsible for preparing financial documents for the former Air Force, Cotton & Company oversees the financial audit of the former Air Force

Defense Health Program

03

- DHP Audit Team is an Internal team within the DHA that is responsible for coordinating responses to the financial audit findings and has direct contact with the Kearney Auditors

MTF UBOs

04

- Respond to Provided By Client (PBC) requests
- Present process walkthroughs
- Participate in Corrective Action Plan (CAP) closure by participating in Enterprise level initiatives

Audit Cycle: Overview

- An Independent Public Accountant conducts yearly financial audits of the DHA using the following cycle:
  - Process Review
    - ✓ Provided By Client (PBC) requests submitted via ARC Tool
    - ✓ Walkthroughs
  - Observations
  - Notice of Findings and Recommendations (NFRs)
  - Corrective Action Plans (CAPs)
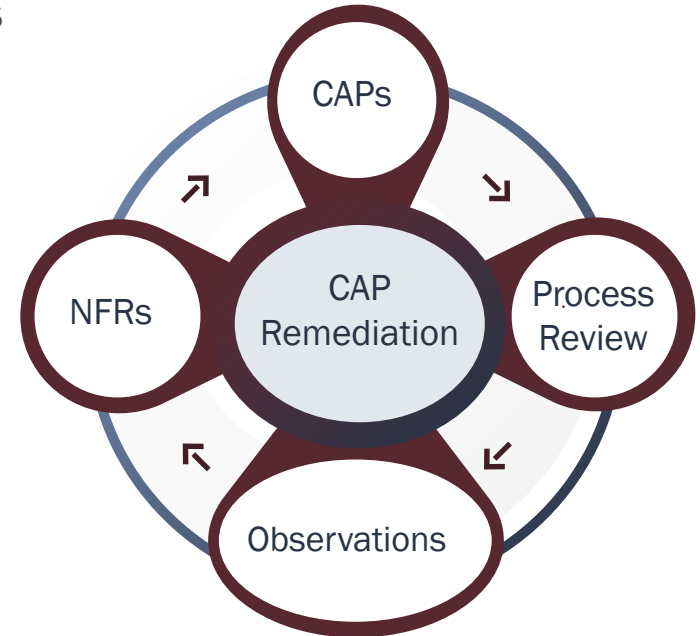
Audit Cycle: PBC Requests

- The audit process is initiated by Provided By Client (PBC) requests upon the review of the auditors chosen focus areas.
- PBCs can be requested in the form of:
  - Documents: Statements of procedure (SOPs), key supporting documents (KSDs) or agreements
  - Meeting requests: Process breakdowns with subject matter experts (SMEs) or functional champions
- All PBC requests are submitted and responded to through the ARC tool
- PBC request timeline
  - Document/meeting requests due after 5 business days
  - Sampling requests due after 10 business days

Audit Cycle: Walkthroughs

- A walkthrough consists of a SME or POC walking an auditor through a predetermined process via site visit, virtual meeting, PBC, or follow-up.

- Auditors are interested in knowing:
  - Your entity level control (ELC) structure and business operations
  - Compliance with laws, regulations, and policies
  - Adherence to business level SOPs and Instructions
  - Any instances of fraud, waste, or abuse

- Ensure that all correspondence, presentations, and walkthrough content remains within the scope of your work and the predetermined topics.

Audit Cycle: Walkthrough Readiness Checklist

- Before the Walkthrough
  - ❑ Review walkthrough topics and communicate issues to DHP Financial Reporting and DHA UBO
  - ❑ Provide all requested documentation to DHP that will be submitted to auditors
  - ❑ Ensure POCs are prepared to share their screen
  - ❑ Be prepared to take screenshots
  - ❑ Ensure all relevant POCs are on the line
  - ❑ Consider ways to share redacted screenshot if walking through a process that contains PII and/or PHI
- After the Walkthrough
  - ❑ Fulfill follow-up PBCs requested by auditors through DHP Financial Reporting

Audit Cycle: MSA/TPC Walkthrough Agenda

- The agenda below is an example of an MSA/TPC process walkthrough.

Agenda Item	Description
1)	Introductions and Organizational Overview/ Structure (Introduce POCs/Offices and their roles)
2)	Current Policies and Policy Changes
3)	Systems Utilized (Please include a GENESIS walkthrough); UBO Eligibility Verification
4)	Billing Process / Establishment of the Accounts Receivable
5)	Invoicing - UBO Manual Invoicing and Automated Billings; Process to Update Rate Tables
6)	Types of Accounts Receivable/ABACUS buckets; Critical Data Elements
7)	Debt Collection Process; Write-off Process; Collections Process
8)	Identification of any automated tools or techniques
9)	Transition to DHA Market Structure; Discussion Items to Supplement the Auditor's Understanding of the MTF's UBO Process

Audit Cycle: MAC Walkthrough Agenda

- The agenda below is an example of a MAC process walkthrough.

Agenda Item	Description
1)	Introductions and Organizational Overview/ Structure (Introduce POCs/Offices and their roles)
2)	MAC Overview - JAG needed
3)	Identifying MAC Claims (Walkthrough of process to identify billable patient encounters)
4)	Billing Process / Establishment of the Accounts Receivable (Walkthrough of processing initial invoice and monitoring/following up on outstanding AR)
5)	Collections Process (Walkthrough of process to adjust open balances for amounts collected less than full amount billed, recording collections received against open AR, and writing off uncollectible accounts)
7)	Transition to DHA Market Structure; Systems Utilized
8)	Discussion Items to Supplement the Auditor's Understanding of the MTF's MAC Process
9)	Identification of any automated tools or techniques

Audit Cycle: Intragovernmental AR Walkthrough Agenda

- The agenda below is an example of an Intragovernmental AR process walkthrough.

Agenda Item	Description
1)	Introductions and Organizational Overview/ Structure (Introduce POCs/Offices and their roles)
2)	Coast Guard, NOAA, PHS, and MERHCF overview
3)	IAA and MOU Agreements
4)	Billing Process / Establishment of the Accounts Receivable / Posting to the GL (if applicable)
5)	Prospective Payment Billing; Collections Process
6)	Monthly Collection Reconciliation Process (Monthly Audit of Deposits and Refunds) [DEAMS Only]
7)	Transition to DHA Market Structure; Systems Utilized
8)	Discussion Items to Supplement the Auditor's Understanding of the MTF's Intragovernmental Process
9)	Identification of any automated tools or techniques

Audit Cycle: AR & Rev – VA Walkthrough Agenda

- Walkthrough of controls, supporting documents, and personnel involved in the end-to-end process for Intragovernmental Accounts Receivable to include:

Agenda Item	Description
1)	Introductions and Organizational Overview/ Structure (Introduce POCs/Offices and their roles involved in the overall processes)
2)	IAA and MOU Agreements
3)	Billing Process / Establishment of the Accounts Receivable / Posting to the GL (if applicable)
4)	Monthly Collection Reconciliation Process (Monthly Audit of Deposits and Refunds) [DEAMS Only]
5)	Systems Utilized
6)	Transition to DHA Market Structure
7)	Discussion Items to Supplement the Auditor's Understanding of the MTF's Intragovernmental Process
8)	Identification of any automated tools or techniques, such as artificial intelligence, machine learning, remote observation tools, and robotic process automation used

Audit Cycle: Observations

- Observations are issued when auditors inform relevant parties that they have identified a potential finding/recommendation based on an identified problem.
- After being identified to an observation, parties are given the opportunity to:
  - Concur: Agree with accuracy
  - Non-Concur: Disagree and provide material to validate grounds for non-concurrence
  - Concur with edits: Agree upon verbiage change
- Observations that are concurred with or not closed within 15 days become NFRs.

Audit Cycle: Notice of Findings and Recommendations (NFRs)

- Each NFR is a finding that requires correction and is supported by one or more Corrective Action Plans (CAPs) designed to correct the weakness.

- Released in draft form for identified parties to comment on the verbiage.

- During each annual Financial Audit, Kearney validates whether the prior year NFR has been remediated.

- NFRs may be reissued if the auditor finds that the implemented CAP is still in progress and has not remediated the issues identified in the original NFR.

Audit Cycle: Corrective Action Plans (CAPs)

- At its core, a CAP is a high-level project plan used to remediate the issues identified in one or more NFRs.

- CAPs are composed of Milestones and Tasks and can have different owners.

- CAPs and associated Milestones will contain Estimated Completion Dates (ECDs). These dates must be adhered to and will be followed up on.

- Once a CAP is submitted, the steps cannot be altered for 1 year.

- To alter a CAP after 1 year, the CAP must be retired, updated, and officially resubmitted.

Market Overview: Walkthrough Participants

- Each year, auditors choose a small subset of facilities to visit based on predetermined criteria to audit processes delivered from the Enterprise level. The Markets and facilities below were chosen for Fiscal Year 2022.

Puget Sound	Colorado	Coastal North Carolina	National Capital Region
• Madigan Army Medical Center, Joint Base Lewis-McChord • Naval Health Clinic, Oak Harbor • Naval Hospital, Bremerton	• Evans Army Community Hospital • 10th Medical Group, U.S. Air Force Academy • 460th Medical Group, Space Force Base • 21st Medical Group, Peterson AFB	• Naval Health Clinic, Cherry Point • Naval Medical Center, Camp Lejeune	• Fort Belvoir Community Hospital • Walter Reed Military Medical Center

Market Overview: Puget Sound Market

- Thank you to the key performers of the Puget Sound Market for an outstanding walkthrough cycle.

Eva Mazon
DRM/UBO
Naval Health Clinic, Oak Harbor

Picture
Unavailable

Nancy Lambert
Chief, UBO
Madigan Army Medical Center

Elizabeth Tellez
UBO/TPC Supervisor
Naval Hospital Bremerton
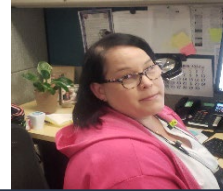
Market Overview: Colorado Market

- Thank you to the key performers of the Colorado Market for an outstanding walkthrough cycle.

Elizabeth Burlingame
UBO Manager
Evans Army Comm Hospital

Gina Stewart
Fin Specialist Debt Mngmt, GFEBS
Evans Army Comm Hospital

Annette Snodgrass
Medical Affirmative Claims
Evans Army Comm Hospital

Thornton Willis
Fin Specialist TPC
Evans Army Comm Hospital

Debra Shultz
Accounting Technician
Evans Army Comm Hospital

Picture
Unavailable

Elvin Diaz
Fin Specialist MSAO
Evans Army Comm Hospital

Picture
Unavailable

Vernia Hughes
VA Fin Technician
Evans Army Comm Hospital

Market Overview: Coastal North Carolina Market

- Thank you to the key performers of the Coastal North Carolina Market for an outstanding walkthrough cycle.

Amy Taylor
Fin Technician
Naval Medical Center, Camp Lejeune

Picture
Unavailable

Katie Forsland
UBO Program Manager
Naval Health Clinic, Cherry Point

Donna Krieger-Pagan
UBO MSA Lead
Naval Medical Center, Camp Lejeune

Market Overview: National Capital Region Market

- Thank you to the key performers of the National Capital Region Market for an outstanding walkthrough cycle.
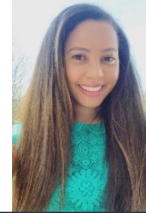
Cheryl Gardner
UBO Manager
WRNMMC

Ogtay Orujov
Supervisory, MSA
WRNMMC

Emerlyn Nelson
Fin Mngmt Analyst
WRNMMC

Tiffany Reynolds
Health Insurance
WRNMMC

Justin Wasilchak
Audit Readiness
WRNMMC

Mark Stofanak
Audit Readiness
WRNMMC

Lindsay Vaught
Audit Readiness
WRNMMC

Darrellyn Thomas
RMIC Officer
WRNMMC

Picture Unavailable

Marcia Dickson
Senior Analyst TPC/MAC
WRNMMC

Picture Unavailable

Josephine Padilla
Fin Technician
WRNMMC

Picture Unavailable

Antoinette Wood
Fin Tech MSA
WRNMMC

Picture Unavailable

Karen Faustine
Fin Tech MSA
WRNMMC

Resources: Training, Policy, and Communication

- More information regarding quarterly Enterprise/MTF Audit Syncs to come

Guidance	Location
DHA UBO Webinars	Archived Webinars
General Policy Memos and Guidance Table	Policy and Guidance
Performance Measurements	KPIs, Metrics, and Collection Goals

Organization	Contact Information
DHA NCR J-1/8 Mailbox DHA UBO Audit Support Team	dha.ncr.j-1-8.mbx.dha-ubo-audit-support-team@mail.mil
DHA UBO Helpdesk	UBO.Helpdesk@intellectsolutions.com

Medically Ready Force… Ready Medical Force

Questions?

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