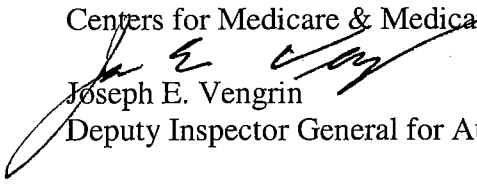




MAR - 7 2006

TO: Dennis G. Smith
Director, Center for Medicaid and State Operations
Centers for Medicare & Medicaid Services

FROM: 
Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Review of Montana's Accounts Receivable System for Medicaid Provider
Overpayments for the Period October 1, 2002, Through September 30, 2004
(A-07-05-03064)

Attached is an advance copy of our final report on Montana's accounts receivable system for Medicaid provider overpayments for the period October 1, 2002, through September 30, 2004. We will issue this report to the Montana Department of Public Health and Human Services (the State agency) within 5 business days. This report is part of a multistate audit focusing on States' accounts receivable systems for Medicaid provider overpayments.

Section 1903(d)(2) of the Social Security Act (the Act), as amended by section 9512 of the Consolidated Omnibus Budget Reconciliation Act of 1985, states that the Centers for Medicare & Medicaid Services (CMS) will adjust reimbursements to a State for any overpayment or underpayment and requires States to report overpayment adjustments within 60 days from the date of discovery, whether or not the State has recovered the overpayment from the provider. The State must credit the Federal share of those overpayments on the "Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program," Form CMS-64 (CMS-64), for the quarter in which the 60-day period ends. The Act also says that the State need not adjust the Federal payment if it is unable to recover an overpayment because the provider filed for bankruptcy or went out of business, provided that the State followed proper due diligence in trying to reclaim the overpayment.

Our objective was to determine whether the State agency reported Medicaid provider overpayments in accordance with Federal requirements.

The State agency did not report 195 Medicaid provider overpayments totaling \$3,685,465 (\$2,731,303 Federal share) in accordance with Federal requirements during the period October 1, 2002, through September 30, 2004. In addition, the State agency delayed reporting 68 overpayments totaling \$1,278,197 (\$944,216 Federal share) within the required timeframe because its practice was to report overpayments after collection from providers.

The State agency's nonreporting and untimely reporting of overpayments potentially resulted in \$66,526 of higher interest expense to the Federal Government.

We recommend that the State agency:

- include on the CMS-64 the unreported overpayments, the uncollected portion of overpayments that were settled at reduced amounts, and the unreported Medicaid Fraud Control Unit (MFCU)-identified overpayments totaling \$3,685,465 and refund the \$2,731,303 Federal share;
- determine the value of overpayments identified after our audit period that have not been reported and include them on the CMS-64;
- reduce overpayments only when it can support that providers are bankrupt or out of business, in accordance with Federal regulations;
- develop policies and procedures to ensure that overpayments are reported on the CMS-64 in accordance with Federal regulations; and
- report all future overpayments within 60 days in accordance with Federal regulations, thereby mitigating the potentially higher interest expense to the Federal Government.

The State agency agreed with our findings and all five recommendations and stated that it would refund Medicaid provider overpayments from the audit period as well as any subsequent overpayments. The State agency also stated it was updating its policies to ensure that it reports future Medicaid provider overpayments in accordance with Federal regulations.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or Patrick J. Cogley, Regional Inspector General for Audit Services, Region VII, at (816) 426-3591. Please refer to report number A-07-05-03064.

Attachment



MAR 10 2006

Office of Audit Services
Region VII
601 East 12th Street, Room 284A
Kansas City, MO 64106
(816) 426-3591

Report Number: A-07-05-03064

Ms. Joan Miles
Director
Montana Department of Public Health and Human Services
P.O. Box 4210
Helena, Montana 59604-4210

Dear Ms. Miles:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General final report entitled "Review of Montana's Accounts Receivable System for Medicaid Provider Overpayments for the Period October 1, 2002, Through September 30, 2004." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), Office of Inspector General reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

If you have any questions regarding this report, please contact Greg Tambke, Audit Manager, at (573) 893-8338, extension 30. Please refer to report number A-07-05-03064 in all correspondence.

Sincerely yours,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Mr. Alex Trujillo
Regional Administrator, Region VIII
Centers for Medicare & Medicaid Services
Colorado State Bank Building
1600 Broadway, Suite 700
Denver, Colorado 80202

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MONTANA'S ACCOUNTS
RECEIVABLE SYSTEM FOR MEDICAID
PROVIDER OVERPAYMENTS FOR
THE PERIOD OCTOBER 1, 2002,
THROUGH SEPTEMBER 30, 2004**



**Daniel R. Levinson
Inspector General**

**MARCH 2006
A-07-05-03064**

Office of Inspector General

<http://oig.hhs.gov>

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

This report is part of a multistate audit focusing on States' accounts receivable systems for Medicaid provider overpayments. An overpayment is a payment to a provider in excess of the allowable amount.

Section 1903(d)(2) of the Social Security Act (the Act) is the principal authority that the Centers for Medicare & Medicaid Services (CMS) cites in disallowing the Federal share of overpayments to providers. Section 9512 of the Consolidated Omnibus Budget Reconciliation Act of 1985 amended this section of the Act. Regulations addressing overpayments and credit adjustments are found at 42 CFR part 433.

The Act states that CMS will adjust reimbursements to a State for any overpayment or underpayment and requires States to report overpayment adjustments within 60 days from the date of discovery, whether or not the State has recovered the overpayment from the provider. The State must credit the Federal share of those overpayments on the "Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program," Form CMS-64 (CMS-64), for the quarter in which the 60-day period ends. The Act also says that the State need not adjust the Federal payment if it is unable to recover an overpayment because the provider filed for bankruptcy or went out of business, provided that the State followed proper due diligence in trying to reclaim the overpayment.

In Montana, the Department of Public Health and Human Services (the State agency) administers the Medicaid program.

OBJECTIVE

Our objective was to determine whether the State agency reported Medicaid provider overpayments in accordance with Federal requirements.

SUMMARY OF FINDINGS

The State agency did not report 195 Medicaid provider overpayments totaling \$3,685,465 (\$2,731,303 Federal share) in accordance with Federal requirements during the period October 1, 2002, through September 30, 2004. Specifically, as of the CMS-64 for the quarter that ended September 30, 2004, the State agency did not report:

- 172 overpayments totaling \$1,969,460 (\$1,458,707 Federal share) because it generally reported overpayments after collection from providers,
- 13 overpayments totaling \$1,617,081 (\$1,199,958 Federal share) because it settled with providers for reduced amounts without support that the providers were bankrupt or out of business, and

- 10 overpayments that the Medicaid Fraud Control Unit (MFCU) identified totaling \$98,924 (\$72,638 Federal share) because the State agency did not have sufficient policies and procedures in place to report these overpayments.

In addition, the State agency delayed reporting 68 overpayments totaling \$1,278,197 (\$944,216 Federal share) within the required timeframe because its practice was to report overpayments after collection from providers.

The State agency's nonreporting and untimely reporting of overpayments potentially resulted in \$66,526 of higher interest expense to the Federal Government.

RECOMMENDATIONS

We recommend that the State agency:

- include on the CMS-64 the unreported overpayments, the uncollected portion of overpayments that were settled at reduced amounts, and the unreported MFCU-identified overpayments totaling \$3,685,465 and refund the \$2,731,303 Federal share;
- determine the value of overpayments identified after our audit period that have not been reported and include them on the CMS-64;
- reduce overpayments only when it can support that providers are bankrupt or out of business, in accordance with Federal regulations;
- develop policies and procedures to ensure that overpayments are reported on the CMS-64 in accordance with Federal regulations; and
- report all future overpayments within 60 days in accordance with Federal regulations, thereby mitigating the potentially higher interest expense to the Federal Government.

AUDITEE'S COMMENTS

The State agency agreed with our findings and all five recommendations and stated that it would refund Medicaid provider overpayments from the audit period, as well as any subsequent overpayments. The State agency also stated it was updating its policies to ensure that it reports future Medicaid provider overpayments in accordance with Federal regulations.

The State agency's comments are included in their entirety as the appendix.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We commend the State agency for its actions to refund existing unreported Medicaid provider overpayments and to ensure that it reports future overpayments in accordance with Federal regulations.

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INTRODUCTION

BACKGROUND

This report is part of a multistate audit focusing on States' accounts receivable systems for Medicaid provider overpayments. An overpayment is a payment to a provider in excess of the allowable amount.

Medicaid Program

Enacted in 1965, Medicaid is a combined Federal-State entitlement program that provides health and long-term care for certain individuals and families with low incomes and limited resources. Within a broad legal framework, each State designs and administers its own Medicaid program, including specifying how much to pay for each service. Each State operates under its own plan, which the Centers for Medicare & Medicaid Services (CMS) approves if the plan complies with Federal laws and regulations. Section 1905(b) of the Social Security Act (the Act) established a financing formula to calculate the Federal share of the medical assistance expenditures under each State's Medicaid program.

The Montana Department of Public Health and Human Services (the State agency) administers the State's Medicaid program. The Federal share of Medicaid expenditures for the State agency during the period October 1, 2002, through September 30, 2004, ranged from 73 to 76 percent.

Medicaid Overpayments

Section 1903(d)(2) of the Act is the principal authority that CMS cites in disallowing the Federal share of overpayments to providers. Section 9512 of the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 amended this section of the Act. Regulations addressing overpayments and credit adjustments are found at 42 CFR part 433.

The Federal Government does not participate financially in Medicaid payments for excessive or erroneous expenditures. Therefore, when a State recognizes that it has made a Medicaid overpayment, it must report the amount of the overpayment on the "Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program," Form CMS-64 (CMS-64), as an offset to expenditures.

Under certain circumstances, such as the provider's bankruptcy, the State may reclaim the overpayment on the CMS-64, provided that it can demonstrate due diligence in trying to collect the overpayment. For example, assume that the State pays a provider \$100,000 for Medicaid services rendered and claims the expenditures on the CMS-64. Through a later review, the State learns that it overpaid the provider \$25,000. The State must report the \$25,000 overpayment on the CMS-64, reducing expenditures eligible for Federal participation by \$25,000. If the State later determines that the provider is bankrupt, the State may reclaim the \$25,000 overpayment on a subsequent CMS-64.

The State agency's Surveillance and Utilization Review Section (SURS) and its fiscal agent, Affiliated Computer Services (ACS), identify overpayments. In addition, the Medicaid Fraud Control Unit (MFCU) identifies provider overpayments due to fraud and abuse. These units perform reviews of Medicaid claims to determine whether payments to providers are accurate. SURS and MFCU maintain databases of identified overpayments for collection purposes.

ACS processes Medicaid claims for payment and maintains the State agency's Medicaid Management Information System (MMIS). System checks within the MMIS routinely identify provider overpayments. ACS adjusts for these overpayments by making credit adjustments to the providers' accounts, thereby offsetting the overpayment against future claims in the MMIS. If a provider does not submit any subsequent Medicaid claims against which the overpayments can be offset, then the provider's account within the MMIS has a "credit" balance and the overpayment remains outstanding. ACS creates a Credit Balance Report that identifies providers with outstanding overpayments.

Section 1903(d)(2) of the Act, as amended by section 9512 of the COBRA and codified in 42 CFR §§ 433.300–433.322, states that when an overpayment is discovered, the State has 60 days in which to recover or attempt to recover the overpayment before reporting the adjustment on the CMS-64. Prior to fiscal year (FY) 2004, the State agency's practice was to report provider overpayments to CMS only after collecting them from providers. The State agency changed its practice for FY 2004 in an attempt to meet the 60-day requirement.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency reported Medicaid provider overpayments in accordance with Federal requirements.

Scope

We initially examined overpayments and credit adjustments that were reported or should have been reported on the quarterly CMS-64s for the period October 1, 2002, through September 30, 2004. The State agency reported a total of \$1,195,699 in overpayments during the audit period. Because of the nature of the findings, and because the documentation was readily available, we expanded our scope to include MFCU-identified overpayments for the period October 1, 1997, through September 30, 2004.

The objective of our audit did not require an understanding or an assessment of the State agency's overall internal control structure. However, we gained an understanding of controls with respect to reporting and reclaiming of overpayments and the aging of accounts receivable. Our review was limited to controls over overpayments and was not intended to be a full-scale internal control assessment of the State agency's Medicaid operations or financial management system.

We performed fieldwork at the State agency in Helena, MT, during April and May 2005.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal and State criteria, including section 1903 of the Act, Federal regulations (42 CFR part 433), and applicable sections of the “State Medicaid Manual”;
- interviewed key staff and reviewed documentation provided by SURS, the State agency’s Fiscal Services division (Accounting), MFCU, and ACS;
- gained an understanding of the State agency’s policies and procedures for managing provider overpayments;
- analyzed the quarterly CMS-64s for the period October 1, 2002, through September 30, 2004, and supporting documentation to verify the reported overpayments and credit adjustments;
- reviewed Medicaid provider overpayment listings and supporting documents to determine the accuracy and timeliness of reporting overpayments; and
- calculated, using the number of days between the actual and required reporting date, the potentially higher interest expense to the Federal Government for late and outstanding overpayments.¹

We conducted our review in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency did not report 195 Medicaid provider overpayments totaling \$3,685,465 (\$2,731,303 Federal share) in accordance with Federal requirements during the period October 1, 2002, through September 30, 2004. Specifically, as of the CMS-64 for the quarter that ended September 30, 2004, the State agency did not report:

- 172 overpayments totaling \$1,969,460 (\$1,458,707 Federal share) because it generally reported overpayments after collection from providers,
- 13 overpayments totaling \$1,617,081 (\$1,199,958 Federal share) because it settled with providers for reduced amounts without support that providers were bankrupt or out of business, and
- 10 overpayments that MFCU identified totaling \$98,924 (\$72,638 Federal share) because the State agency did not have sufficient policies and procedures in place to report these overpayments.

¹We calculated interest using the applicable annualized interest rate pursuant to the Cash Management Improvement Act of 1990.

In addition, the State agency did not report 68 overpayments totaling \$1,278,197 (\$944,216 Federal share) within the required timeframe because its practice was to report overpayments after collection from providers.

The State agency's nonreporting and untimely reporting of overpayments potentially resulted in \$66,526 of higher interest expense to the Federal Government.

REPORTING OF OVERPAYMENTS

Collection of Overpayments

The State agency did not report 172 overpayments totaling \$1,969,460 (\$1,458,707 Federal share) in accordance with Federal regulations because (1) its practice was to report overpayments only after collecting them from providers and (2) it did not report overpayments that were under appeal until the appeals were complete. Additionally, the State agency failed to monitor the Credit Balance Report and report outstanding balances on the CMS-64.

Section 1903(d)(2) of the Act, as amended by section 9512 of the COBRA and codified in 42 CFR §§ 433.300–433.322, states that when an overpayment is discovered, the State has 60 days in which to recover or attempt to recover the overpayment before reporting the adjustment on the CMS-64. Unless the provider is out of business or bankrupt, the State agency must make the adjustment in the Federal payment at the end of the 60 days, whether or not it has made the recovery.

Of the 172 overpayments, 100 were identified by SURS and totaled \$1,641,792 (\$1,223,466 Federal share). Prior to FY 2004, the State agency's practice was to report these overpayments only after collecting them from providers. The State agency changed its practice for FY 2004 in an attempt to meet the 60-day requirement. However, it still did not report overpayments under appeal until the appeals process was complete.

The remaining 72 overpayments totaled \$327,668 (\$235,241 Federal share) and were from outstanding accounts identified from the Credit Balance Report that ACS generated from the MMIS. The Credit Balance Report included outstanding balances for the period June 30, 1997, through September 30, 2004. The State agency failed to monitor the Credit Balance Report and report outstanding balances on the CMS-64.

Settlement of Overpayments

The State agency did not report a portion of 13 overpayments totaling \$1,617,081 (\$1,199,958 Federal share) as required by Federal regulations because its policies and procedures did not ensure that settlements for reduced amounts were made only when providers were bankrupt or out of business.

Section 1903(d)(2)(D) of the Act provides that no adjustment to Federal payments is required on the CMS-64 for overpayments that have been discharged in bankruptcy or are otherwise uncollectible. Whether States can reclaim from the Federal Government portions of

overpayments that the State gives up in a settlement agreement depends on whether those funds can be deemed otherwise uncollectible. Pursuant to Federal regulations (42 CFR § 433.318(c) and (d)), States may credit uncollectible overpayments only when the provider is bankrupt or out of business.

A provider is considered bankrupt if the conditions listed in 42 CFR § 433.318(c) are met:

- (1) The provider has filed for bankruptcy in Federal court at the time of discovery of the overpayment or the provider files a bankruptcy petition in Federal court before the end of the 60-day period following discovery; [and]
- (2) The State is on record with the court as a creditor of the petitioner in the amount of the Medicaid overpayment.

A provider is considered out of business if a determination to that effect has been made pursuant to State law. To establish that such determination has been made, the State agency must meet the requirements in 42 CFR § 433.318(d)(2):

The agency must –

- (i) Document its efforts to locate the party and its assets. These efforts must be consistent with applicable State policies and procedures; and
- (ii) Make available an affidavit or certification from the appropriate State legal authority establishing that the provider is out of business and that the overpayment cannot be collected under State law and procedures and citing the effective date of that determination under State law.

In addition, if a provider is determined to be bankrupt or out of business after the end of the 60-day period following discovery, the State may reclaim unrecovered overpayment amounts previously refunded to CMS.

The State agency may not make credit adjustments for amounts unrecovered as a result of settlement agreements. The State agency's policy for settlement authority allowed for the negotiation of overpayments to avoid the risk of an adverse decision by an administrative hearing officer or a State court judge.

Reporting of Medicaid Fraud Control Unit Overpayments

The State agency did not report all or some portion of 10 MFCU-identified overpayments resulting from fraud or abuse totaling \$98,924 (\$72,638 Federal share) as required by Federal regulations because it did not have sufficient policies and procedures in place to report these overpayments.

Section 1903(d)(2) of the Act, as amended by section 9512 of the COBRA and codified in 42 CFR §§ 433.300–433.322, states that when an overpayment is discovered, the State has 60

days in which to recover or attempt to recover the overpayment before reporting an adjustment on the CMS-64. In general, unless the provider is bankrupt or out of business, the State agency must make the adjustment in the Federal payment at the end of the 60 days, whether or not it has made the recovery. However, for overpayments that involve fraud or abuse, 42 CFR § 433.316(d) provides: “An overpayment that results from fraud or abuse is discovered on the date of the final written notice of the State’s overpayment determination that a Medicaid agency or other State official sends to the provider.”

The State agency did not comply with Federal requirements to report overpayments that MFCU identified because it did not have sufficient policies and procedures in place to report overpayments. The State agency did report overpayments that SURS referred to MFCU. However, the State agency failed to report overpayments that other sources referred to MFCU.

Overpayments Reported Late

Contrary to Federal regulations, the State agency delayed reporting 68 overpayments totaling \$1,278,197 (\$944,216 Federal share), primarily because its practice was to report overpayments only after collecting them from providers.

Section 1903(d)(2) of the Act, as amended by section 9512 of the COBRA, states that when an overpayment is discovered, the State has 60 days in which to recover or attempt to recover the overpayment before reporting an adjustment on the CMS-64. The State agency must refund the Federal share of overpayments at the end of the 60-day period, whether or not the State has recovered the overpayment from the provider. This legislation is codified in 42 CFR part 433, subpart F.

Prior to FY 2004, the State agency’s practice was to report overpayments only after collecting them from providers. The State agency changed its practice for FY 2004 in an attempt to meet the 60-day requirement. However, it still did not report overpayments under appeal until the appeals process was complete.

HIGHER INTEREST EXPENSE TO THE FEDERAL GOVERNMENT

The State agency did not report 195 Medicaid provider overpayments totaling \$3,685,465 (\$2,731,303 Federal share) in accordance with Federal requirements during the period October 1, 2002, through September 30, 2004. Additionally, the State agency did not report 68 overpayments totaling \$1,278,197 (\$944,216 Federal share) within the required timeframe. The State agency’s nonreporting and untimely reporting of overpayments potentially resulted in \$66,526 of higher interest expense to the Federal Government.

RECOMMENDATIONS

We recommend that the State agency:

- include on the CMS-64 the unreported overpayments, the uncollected portion of overpayments that were settled at reduced amounts, and the unreported MFCU-identified overpayments totaling \$3,685,465 and refund the \$2,731,303 Federal share;
- determine the value of overpayments identified after our audit period that have not been reported and include them on the CMS-64;
- reduce overpayments only when it can support that providers are bankrupt or out of business, in accordance with Federal regulations;
- develop policies and procedures to ensure that overpayments are reported on the CMS-64 in accordance with Federal regulations; and
- report all future overpayments within 60 days in accordance with Federal regulations, thereby mitigating the potentially higher interest expense to the Federal Government.

AUDITEE'S COMMENTS

The State agency agreed with our findings and all five recommendations and said that it would include all unreported Medicaid provider overpayments from the audit period on the January 30, 2006, CMS-64 report. In addition, the State agency stated it would review potential overpayments after our audit period and include any identified overpayments on its March 31, 2006, CMS-64. Finally, the State agency said that it had updated its policies to ensure it reports future Medicaid provider overpayments in accordance with Federal regulations.

The State agency's comments are included in their entirety as the appendix.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We commend the State agency for its actions to refund existing unreported Medicaid provider overpayments and to ensure that it reports future overpayments in accordance with Federal regulations.

APPENDIX

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES

APPENDIX
Page 1 of 2



BRIAN SCHWEITZER
GOVERNOR

JOAN MILES
DIRECTOR

STATE OF MONTANA

www.dphhs.mt.gov

PO BOX 4210
HELENA, MONTANA 59604-4210
(406) 444-5622
FAX (406) 444-1970

January 17, 2006

Patrick J. Cogley
Regional Inspector General for Audit Services
Department of Health and Human Services, Region VII
601 East 12th Street, Room 284A
Kansas City, MO 64106

Re: Review of Montana's Accounts Receivable System for Medicaid and
Provider Overpayments (A-07-05-03064)

Dear Mr. Cogley:

We have reviewed the copy of the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Service's draft report entitled "Review of Montana's Accounts Receivable System for Medicaid and Provider Overpayments" dated December 19, 2005.

The Department found the report to be helpful and has recognized there are areas of our Medicaid accounts receivable business process that need additional attention. The Department will complete the corrective action plan for this audit by March 31, 2006.

All unreported overpayments, uncollected portion of settled overpayments and unreported MFCU-identified overpayments originating during the audit period will be included on the upcoming CMS-64 report, to be submitted by January 30, 2006.

A further review of post audit period activity will be completed by March 15, 2006. Any identified unreported overpayments will be included on the March 31, 2006 CMS-64 report.

The department has updated its policies to ensure that all SURS overpayments are reported according to CMS regulations. Over the next two months the

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policies relating to ACS and MFCU-identified overpayments will be strengthened to ensure efficient operations and appropriate reporting.

Thank you for the opportunity to comment on the draft audit report. Should you have any questions regarding this response, please contact Marie Matthews at (406) 444-5369.

Sincerely,



Joan Miles
Director

cc John Chappuis
Laurie Lamson
Jeff Buska
Liz Harter
Marie Matthews