STATE OF UTAH
OFFICE OF THE UTAH STATE AUDITOR

TINA M. CANNON
UTAH STATE AUDITOR

Department of Health and Human Services

Interim Management Letter

For the year ended June 30, 2025

Report No. 25-13

Office of the Utah State Auditor

Audit Leadership:
Tina M. Cannon, State Auditor
Bertha Lui, CPA, Audit Director
Jordan Kattelman, CPA, Audit Supervisor

UTAH STATE CAPITOL, SUITE 260, SALT LAKE CITY, UT 84114, (801) 538-1025

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Interim Management Letter No. 25-13

December 8, 2025

Tracy S. Gruber, Executive Director
Department of Health and Human Services
195 North 1950 West
Salt Lake City, UT 84116

Dear Director Gruber:

This management letter is provided to communicate, at an interim date, certain deficiencies identified in our audit procedures on the Department of Health and Human Services' (DHHS) portion of the State of Utah's statewide single audit for the year ended June 30, 2025. These audit procedures were performed on the Medicaid Assistance Program, the Social Services Block Program, and the Substance Use Prevention, Treatment, and Recovery Services Program. This communication is based on our audit procedures performed through October 2, 2025. Because we have not completed the statewide federal compliance audit (Single Audit) for fiscal year 2025, additional federal programs at DHHS may be tested and additional issues may be identified and communicated in a subsequent management letter.

Our final reports on internal controls and on compliance required under *Government Auditing Standards* and federal *Uniform Guidance* will be issued under separate cover. These reports will also provide further detail as to considerations made during the course of the audit regarding internal controls and compliance, both at the financial statement and at the federal program level, and the limited purposes of those considerations. The purpose of this letter is to communicate with DHHS management concerns identified during the course of our audit.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees to prevent or to detect and correct on a timely basis misstatements, errors, or instances of noncompliance. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements, errors, or noncompliance are not prevented or are not detected and corrected on a timely basis.

Based on the audit procedures performed, we identified deficiencies in internal control, while not considered material, we consider to be significant enough to merit the further attention of management and those charged with governance (Findings 1-6). We also identified Findings 1-6 as instances of noncompliance which we are required to report under *Uniform Guidance*.

In addition, during our audit, we also became aware of a certain deficiency in internal control (Finding 7) that is an opportunity for strengthening internal controls and operating efficiencies.

DHHS's written responses to and Corrective Action Plans for these findings will be included in the final reports identified in the second paragraph above.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing and not to provide an opinion on the effectiveness of the DHHS's internal control over compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

We appreciate the courtesy and assistance DHHS personnel extended to us during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

Bertha Lui

Bertha Lui, CPA
Audit Director
blui@utah.gov
801-808-0481

CC: Nate Winters, Deputy Director, DHHS
Nate Checketts, Deputy Director, DHHS
David Litvack, Deputy Director, DHHS
Shannon Thoman-Black, Director of Licensing and Background Checks, DHHS
Don Moss, Executive Finance Director, DHHS
Randall Loveridge, Director of Internal Audit, DHHS

Findings & Recommendations

Finding 1. Incomplete Pharmacy Rebate Reporting and Invoicing

(Finding Type: Significant Deficiency, Reportable Noncompliance)

Federal Agency: Department of Health and Human Services
Assistance Listing Number and Title: 93.778 Medicaid Assistance Program
Federal Award Number: Various
Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: 2024-003

The Department of Health and Human Services (DHHS) did not report all required pharmacy rebate information or send all rebate invoices to manufacturers within the statutory timeframe. Federal regulations (42 USC 1396r-8) require DHHS to report drug utilization data, including data in the managed care plans, to drug manufacturers and to invoice for rebates within 60 days after the end of each rebate period (typically a calendar quarter). DHHS contracts with a third-party organization to perform these reporting and invoicing processes.

After DHHS implemented a new claims system (PRISM) in April 2023, certain data would not properly interface with the third party's system. Without receiving all the data, the third party was not able to report this data and send rebate invoices to the manufacturers. As a result, DHHS was not compliant with the requirements. The interface problem has still not been resolved in the current fiscal year.

The unreported data relates to an estimated $23.2 million in rebates manufacturers owe DHHS for fiscal year 2025 and $49.2 million in aggregate. DHHS plans to request these payments once the interface issues are resolved. However, the longer it takes to resolve the issue, the greater the accumulated un-invoiced amount and the higher the risk of uncollectability.

Recommendation

We recommend that DHHS ensure:

- Interface issues with third-party organization system are resolved quickly,
- Invoice and collect the unbilled rebates,
- All required drug utilization data is reported to manufacturers within required time and rebates are invoiced in a timely manner.

DHHS's Response

DHHS agrees with this recommendation.

Corrective Action Plan

DHHS has worked to implement a solution with its contracted third-party vendor to resolve file interface issues. The interface issue impacted medical claim rebates, which are a portion of DHHS's overall pharmacy rebate process. The medical claim rebate file interface fix went live during the week of November 17, 2025. The interface fix ensures that, going forward, all required utilization data will be reported to manufacturers in a timely manner for successful eligible medical claims rebate submission. Eligible medical claims rebate invoicing, including uninvoiced rebates due to the interface issue, are scheduled to be sent to applicable manufacturers in February 2026. This is the earliest time CMS will allow DHHS to submit the invoices to the manufacturers. DHHS confirmed with its vendor that the backlog of uninvoiced claims will include all outstanding claims from the date of the last successful submission for these medical claim rebates, which was prior to the implementation of PRISM in April of 2023.

Anticipated Completion Date: February 2026

Responsible Staff: Thomas Davies, Medicaid Pharmacy Director, Division of Integrated Health, thomasdavies@utah.gov

Finding 2. Required Health and Safety Surveys Not Performed Within Statutory Timeline

(Finding Type: Significant Deficiency, Reportable Noncompliance)

Federal Agency: Department of Health and Human Services
Assistance Listing Number and Title: 93.777, 93.778 Medicaid Assistance Program
Federal Award Number: Various
Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: 2023-008, 2024-005

DHHS did not perform required Health and Safety Surveys within the required timeline. Federal regulations (42 CFR 442.15) require DHHS to conduct medical health and safety surveys for nursing and intermediate care facilities at least every 15 months. DHHS is also required (42 CFR 442.109) to ensure the statewide average interval between surveys is 12 months or less. We sampled 14 facilities and found that DHHS had not conducted the required surveys within the statutory timeframe for 8 facilities. The statewide average interval was also greater than the allowed timeframe. The COVID-19 Public Health Emergency (PHE) and resulting relaxed requirements contributed to a backlog of surveys. We originally identified this issue in the state fiscal year 2023 audit. Findings have been issued in the last

two years. As shown in the table below, HHS made gradual improvements over the last three years. The rate of non-compliance decreased from 85.71% to 57.14% and the months exceeding required timeline decreased from 3.63 – 17.1 months to 0.57 – 7.6 months.

Audit Year	Number of Health and Safety Surveys Tested	Number of Health and Safety Surveys Identified as Non-compliant	Rate of Non-compliance	No. of Months Beyond Required Timeline	
				Min	Max
2025	14	8	57.14%	0.57	7.6
2024	16	11	68.75%	3.97	12.23
2023	14	12	85.71%	3.63	17.1

Even with the improvements, the rate of non-compliance of 57.14% is still considered high. DHHS indicated that it could not resolve the backlog because of continued staffing shortages. If DHHS does not conduct these surveys, DHHS may be unaware if facilities do not comply with health and safety requirements, which could potentially endanger patients and cause program funds to be given to noncompliant facilities.

Recommendation

We recommend that DHHS take prompt and appropriate action to address the current survey backlog and staffing shortages. We also recommend that DHHS conduct future surveys in a timely manner to ensure proper health and safety environment in these facilities for the patients.

DHHS's Response

The department agrees with this recommendation.

Corrective Action Plan

To address this finding (and prior year findings number 2023-008 and 2024-005), the Division of Licensing and Background Checks (DLBC), Office of Licensing (OL) took the following corrective action to achieve compliance with required survey time frames:

Staffing and Structure

- Established a Separate Complaint Investigation Team (August 2024): A dedicated team was created to accelerate the completion of complaints and surveys. This change allows the

investigations team to focus solely on investigations, and the Long Term Care (LTC) team to concentrate on surveys, separating the duties previously managed by the LTC team.

- Increased Staffing via Fee Increase (2024): Health Facility Licensing fees were raised by 43%, funding the hiring of four new staff. This expansion provided more personnel to the LTC team, enabling them to conduct a higher volume of surveys.

- Reassigned a Trainer to a Surveyor Role (January 2025): A trainer position was converted into a front-line surveyor position, increasing the number of staffdirectly conducting surveys.

- Substituted a Surveyor with a Lead/Training Position (February 2025): A surveyor position was replaced with a lead role that includes training duties. This modification ensures ongoing training support for front-line surveyors, improving efficiency and consistency during surveys.

Backlog Reduction

- Dedicated one-time funds were allocated to contract with a third-party surveyor and hire two time-limited positions to specifically address the Health and Safety survey backlog in fiscal years 2024 and 2025.

Process and Oversight

- Efficiency Review: Reviewed the health facility team's processes to improve efficiencies, such as assessing the optimal number of surveyors needed to conduct surveys effectively.

- Targeted Training: The health facilities teams were provided in-depth writing training to streamline the writing and reporting practices, with the goal of shortening writing times and increasing the number of surveys completed. Training will continue to improve processes.

- Performance Tracking: This indicator is tracked in DLBC Results Based Accountability (RBA) plan starting in FY 2025. DLBC held monthly RBA accountability sessions to discuss progress and barriers to meeting the performance goals.

Since implementing the changes listed above we have seen the number of recertified facilities increase to 51 in FY 2025 from 31 in FY 2024. To continue to address the finding OL will continue the following corrective actions to achieve compliance with required survey time frames:

Backlog Reduction

- Backlog Mitigation: To manage the backlog and ensure timely surveys, the LTC team alternates between completing one backlogged survey and one new survey. This ensures we systematically complete old surveys while maintaining timely completion of current surveys.

Process and Oversight

- Efficiency Review: Continued to review the health facility team's processes to improve efficiencies.
- Targeted Training: Provide continued training to improve and streamline practices.
- High-Level Monitoring: Hold regular meetings with the OL Director, Health Facilities Administrator, and Long-Term Care Manager to discuss progress and operational approaches.
- Performance Tracking: Continue to track this indicator in the DLBC & OL RBA plan. DLBC will hold regular RBA accountability sessions and participate in the department's ALIGN session to discuss progress and barriers to meeting the performance goals.

DLBC will continue to evaluate our resources and processes in order to achieve compliance with the required survey timelines.

Anticipated Completion Date: July 2026

Responsible staff: Florencia Shapira De Grout, Office of Licensing Director, ffschapira@utah.gov

Finding 3. Inadequate Procedures to Ensure All Eligible Healthcare Providers Maintaining Active Professional Licenses

(Finding Type: Significant Deficiency, Reportable Noncompliance)

Federal Agency: Department of Health and Human Services
Assistance Listing Number and Title: 93.777, 93.778 Medicaid Assistance Program
Federal Award Number: Various
Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: 2024-004

One provider listed as eligible in the DHHS provider eligibility tracking system (PRISM) did not meet eligibility requirements. We sampled 42 providers listed as eligible in PRISM and noted that one of these providers had an expired license. Federal regulations (42 CFR 455.412) require DHHS to "confirm that [a] provider's license has not expired."

DHHS works with the Division of Professional Licensing (DOPL) to identify licenses that are currently expiring on a weekly basis. While this process captures most expired licenses, it is ineffective at identifying licenses that expired before this process was in place. The license in question had expired

in January 2018 so it was not subject to this process. DHHS is currently working with DOPL to expand this process to review all active and expired licenses rather than just the ones that have recently expired, but these changes have not been implemented yet, so the expired license was undetected.

DHHS could have identified the expired license through a routine revalidation check, but DHHS delayed these revalidation checks because of the Public Health Emergency and the related Federal guidance.

If DHHS does not ensure that all providers in PRISM meet eligibility requirements, it is possible that DHHS could reimburse claims for an ineligible provider, although this did not occur during fiscal year 2025.

Recommendation

We recommend that DHHS ensure all healthcare providers listed as eligible have active professional licenses.

DHHS's Response

DHHS agrees with this recommendation.

Corrective Action Plan

In July 2025, DHHS pulled a report from the PRISM system showing current providers with expired licenses. The purpose of the data pull was to verify that all current providers—in-state and out-of-state—have active licenses. DHHS has subsequently conducted a thorough internal review to determine if action was needed and has either closed providers with inactive licenses or submitted a modification to update the license information. DHHS identified 165 providers with expired licenses and closed them since no current active license existed under the provider name. Going forward, DHHS is reviewing license expiration notifications on a monthly basis.

Anticipated Completion Date: August 2025

Responsible Staff: Shandi Wanlass, Office Director, Office of Medicaid Operations

Finding 4. Inaccurate and Untimely FFATA Subawards Reporting Due To Inadequate Monitoring

(Finding Type: Significant Deficiency, Reportable Noncompliance)

Federal Agency: Department of Health and Human Services
Assistance Listing Number and Title: 93.667 Social Services Block Grant (SSBG)
Federal Award Number: 2401UTSOSR

Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: N/A

DHHS did not properly report all Social Services Block Grant (SSBG) subawards for Federal Funding Accountability and Transparency Act (FFATA) reporting, and DHHS did not have an effective control procedure in place to detect or prevent these issues. We tested a sample of five SSBG subawards that should have been subject to FFATA reporting and identified the following errors:

- Two of the five subawards tested were not reported at the time of our audit,
- Three of the subawards had not been reported by the end of the following month in which DHHS issued the subaward, and
- Three subawards (mentioned in the second bullet above) were reported under the wrong federal award identification number (FAIN). Even though FAIN is important information, it was not one of the key elements required to be tested, these errors are not reported in the table below.

The following table summarizes these errors:

Transactions Tested	Subaward not reported	Report Not Timely	Subaward Amount Incorrect	Subaward missing key elements
5	2	3	0	0
Transactions Tested	**Subaward not reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward missing key elements**
$251,796	$137,796	$114,000	$0	$0

Federal regulations (2 CFR 170(a)(2)(ii)) require DHHS to report sub-award information “no later than the end of the month following the month in which the obligation was made.” Federal regulations (2 CFR 200.303(a)) also require DHHS to establish, document, and maintain effective internal control procedures to ensure it complies with FFATA reporting requirements.

DHHS did not properly report all the SSBG subawards because of staff turnover, confusion over FFATA responsibilities, and not having a process in place to ensure all subawards are captured for tracking purposes. As a result, DHHS personnel did not subject the SSBG subawards to the controls even though DHHS has control procedures over FFATA reporting for other subawards.

After bringing this to DHHS’s attention, DHHS subsequently corrected these reporting issues.

Recommendation

We recommend DHHS:

- Report all subawards that are subject to FFATA reporting accurately and within the required timeframe, and
- Establish control procedures to ensure accurate and timely FFATA reporting.

DHHS's Response

The department agrees with this recommendation.

Corrective Action Plan

DHHS will ensure proper FFATA reporting through fiscal officer coordination and monthly review of FFATA submissions.

Anticipated Completion Date: January 2026

Responsible Staff: Brent Crosby, Financial Manager II, Division of Finance and Administration, brcrosby@utah.gov

Finding 5. Inaccurate and Incomplete FFATA Subawards Reporting Due To Inadequate Monitoring

(Finding Type: Significant Deficiency, Reportable Noncompliance)

Federal Agency: Department of Health and Human Services
Assistance Listing Number and Title: 93.959 Substance Use Prevention Treatment and Recovery Services (SUPTRS)
Federal Award Number: B08TI087068
Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: N/A

DHHS did not properly report all Substance Use Prevention, Treatment, and Recovery Services (SUPTRS) subawards for Federal Funding Accountability and Transparency Act (FFATA) reporting and DHHS did not have an effective control procedure in place to detect or prevent these issues. We tested a sample of three SUPTRS subawards that should have been subject to FFATA reporting and identified the following errors:

- One of the three subawards tested was not reported at the time of our audit

- The other two subawards were reported with incorrect amounts

The following table summarizes these errors:

Transactions Tested	Subaward not reported	Report Not Timely	Subaward Amount Incorrect	Subaward missing key elements
3	1	0	2	0
Transactions Tested	**Subaward not reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward missing key elements**
$14,621,268	$1,175,015	$0	$13,446,253	$0

Federal regulations (2 CFR 170(a)(2)(ii)) require DHHS to report sub-award information "no later than the end of the month following the month in which the obligation was made." Federal regulations (2 CFR 200.303(a)) also require DHHS to establish, document, and maintain effective internal control procedures to ensure it complies with FFATA reporting requirements.

DHHS did not properly report SUPTRS subawards because of miscommunication and confusion about reporting methodologies. In addition, DHHS did not have an effective process in place to ensure all subawards are captured for tracking purposes and reported accurately.

Recommendation

We recommend DHHS:

- Report all subawards that are subject to FFATA reporting accurately and within the required timeframe, and
- Establish control procedures to ensure accurate and timely FFATA reporting.

DHHS's Response

The department agrees with this recommendation.

Corrective Action Plan

DHHS will provide training to staff to help ensure subaward amounts are correctly determined and reported within the required timeframe.

Anticipated Completion Date: January 2026

Responsible Staff: Brent Crosby, Financial Manager II, Division of Finance and Administration, brcrosby@utah.gov

Finding 6. Unallowable Costs Charged to the SLFRF Program

(Finding Type: Significant Deficiency, Reportable Noncompliance)

Federal Agency: Department of the Treasury
Assistance Listing Number and Title: 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award Number: Various
Questioned Costs: $70,491
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: N/A

We noted the following costs improperly charged to Coronavirus State and Local Fiscal Recovery (SLFRF) in our sample of 50 transactions selected during fiscal year 2025.

- The Department of Health and Human Services (DHHS), working with the Division of Technology Services (DTS) on an IT revitalization project, improperly charged $79 for DHHS employees that were not working on the SLFRF-funded project and were not obligated before the deadline. Upon further investigation, a total of $70,450 in improperly charged costs relating to this issue dating back to October 2024 were identified, which we questioned. This error was caused by an oversight of DHHS personnel that were no longer working for the project as of the end of the year and was not caught in DHHS's review of DTS charges to the project. These personnel costs were supposed to switch to other projects, but DHHS failed to notice that the switch never happened, relying too heavily on DTS to make the account coding changes. After bringing this to DHHS's attention and before the end of the fiscal year DHHS corrected these issues by entering a journal entry to move the questioned costs of $70,450 out of SLFRF.
- The Department of Agriculture and Food (DAF) charged a $41 lunch for their Water Optimization team in June 2025 to SLFRF. This is not an eligible use of SLFRF funds and was incurred after the obligation deadline. This error was caused by an oversight in the review process that allowed the charge to go through without the reviewer noticing the charge was unallowable and outside the award period for SLFRF. Internal controls should provide reasonable assurance that charges are allowable and within the proper timelines. After the discovery of these questioned costs, DAF corrected the issue by entering a journal entry to move the questioned costs of $41 out of SLFRF.

2 CFR 200.303 states, "The non-Federal entity must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal Award." Not paying close enough attention to what is being

charged to federal programs during the transaction review process could allow costs to be inappropriately charged to a federal program and result in questioned costs.

Recommendation

We recommend that DHHS and DAF improve their internal control review process to ensure that only properly coded and allowable costs are charged to the federal program.

DHHS's Response

The department agrees with this recommendation and appreciates the acknowledgement that unallowable costs identified were moved out of SLFRF within the fiscal year under audit.

Corrective Action Plan

DHHS reviews the DTS Billing report, in addition to reviewing and approving transactions processed through Vantage Financial, to help prevent unallowable costs from being charged to the federal program.

Anticipated Correction Date: August 2025

Responsible Staff: Ryan Roberts, CPA, Senior Accountant, Division of Finance and Administration, ryaneroberts@utah.gov

Finding 7. Not Following DHHS Policy for Charging Interest on Late Pharmacy Rebate Payments

(Finding Type: Other)

Federal Agency: Department of Health and Human Services
Assistance Listing Number and Title: 93.777, 93.778 Medicaid Assistance Program
Federal Award Number: Various
Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: N/A

DHHS did not follow its policy (Standard Operating Procedure for Late Payments and Uncooperative Labelers) for charging interest on late pharmacy rebate payments. DHHS policy states that interest will begin to accrue for any pharmacy rebate invoices that are not paid within 38 days of the postmark date. We tested 17 invoices that were not paid within 38 days and found that DHHS had not accrued

interest for two of them. These two invoices were 10 days and 35 days over. DHHS should consistently adhere to its policy on charging interest for late pharmacy rebate payments.

Recommendation

We recommend DHHS consistently follow its policy for charging interest on late pharmacy rebate payments.

DHHS's Response

DHHS agrees with this recommendation.

Corrective Action Plan

DHHS will follow the policy for charging interest on late pharmacy rebate payments. Policy requires the third party vendor to work directly with manufacturers who are out of compliance with rebate payment timeframes. Manufacturers who are out of compliance will begin to accrue interest 38 days after the invoice postmark date has passed. DHHS will require the third party vendor to report non-compliant manufacturers on a quarterly basis to validate interest is being accrued as required by policy.

Anticipated Correction Date: February 2026

Responsible Staff: Thomas Davies, Medicaid Pharmacy Director, Division of Integrated Health, thomasdavies@utah.gov