Letter of Representations and Turnaround Document
Questions & Answers

1) What documents are to be completed and submitted to the State and Local Government Finance Division (SLGFD) for a county audit of the identified major federal programs?

A Letter of Representation and Turnaround Document should be completed for only those programs audited for eligibility. The Letter of Representations and Turnaround Document templates were updated as of March 2017 as identified by that date in the page footer. The use of the most recent documents will result in consistent reporting of county audits. You must also complete the Single Audit Report for each county and file with the SLGFD.

2) Can I submit my turnaround document and error documentation prior to the submission of the entire Single Audit report for the County?

The Office of the State Auditor will accept the turnaround documents and error documentation as soon as final testing is completed for the county eligibility intake functions. While we cannot fully rely on work until the County Single Audit is completed and filed, it will help in the completion of our State-wide testing to receive these documents as soon as possible.

3) What federal programs are to be checked off on the Letter of Representations?

All programs identified as a major program are to be checked off on the Letter of Representations. This includes programs that were selected for audit by the Office of the State Auditor or based on risk assessments performed at the county level.

Note: For SFY 2017 this is limited to Adoption Assistance Title IV-E and Medicaid.

4) Which eligibility determinations / redeterminations should be included within the population?

The eligibility determinations / redeterminations population for the Adoption Assistance program should include all individuals receiving benefits during the entire fiscal year.

The eligibility determinations / redeterminations population for the Medicaid program should not include individuals receiving benefits whose eligibility determination / redetermination was based on Modified Adjusted Gross Income (MAGI). See the program’s section E. Eligibility within Part 4 of OMB Compliance Supplement for additional details.

5) What pages within the Turnaround Document are to be completed?

The first page of the Turnaround Document must be completed by all auditors.

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The second page of the Turnaround Document is applicable for all designated programs audited for eligibility purposes. This page identifies additional information needed based on audit clarity standards.

The remaining pages of the Turnaround Document should be completed only if the designated program identified at the beginning of the section was audited for eligibility.

6) What should be the timing of audit procedures?

Audit procedures can occur at year-end or during the interim; however, if procedures are performed at interim, the same procedures or alternate procedures must be completed to include the entire fiscal year ending June 30, 2017. Audit procedures selected must cover all months of the audit period.

7) What is the appropriate sample size to use during testing?

**Adoption:** The Adoption Assistance – Title IV-E program was determined to be high risk. Therefore, the **minimum** sample size for tests of controls and compliance testing should be 60 items if the population size is greater than 250. If the population size is less than 250, then sample size should be 20% of the total number of items in the population. These minimum sample sizes were determined based on the size directed by the American Institute of Certified Public Accountants (AICPA) and Single Audit guidelines for the risk identified for a program. These sample sizes are **not** appropriate if errors are expected.

**Medicaid:** Additional guidance has been provided specific to the sampling of the Medicaid program in the document titled *Sampling Instructions for Auditing Medicaid Eligibility Determinations*.

**All programs:** If errors are noted during compliance testwork, you must consider the cause of the issues and determine if additional procedures are considered necessary and document this rationale. Chapter 11 of the Uniform Grant Guidance for Compliance Audits indicates that when more deviations are encountered than were planned for, the auditor has not met the planned objective. Auditors should reference the AICPA Audit Guide for Audit Sampling for tables and guidance for auditors desiring to design audit samples when deviations are expected.

8) What objectives and suggested audit procedures should be performed:

- Obtain an understanding of internal control, assess risk, and test internal controls over the major programs as required by *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Grants, Audits of States, Local Governments, and Non-Profit Organizations* as found in 2 CFR 200.514.

- For the eligibility compliance requirement: Determine whether required eligibility determinations/redeterminations were performed (including obtaining any required documentation/verifications), that individual program participants were determined to be eligible, and that only eligible individuals
participated in the program by selecting and performing tests on a sample from the population of all individuals receiving benefits during the entire fiscal year. These tests should exclude determinations based on Modified Adjusted Gross Income (MAGI) for the Medicaid program as prescribed in the federal compliance supplement.

- For the eligibility compliance requirement: Note that if an individual is found to be presumptively eligible for a program based on eligibility for a different program determined at the county, the eligibility intake process and compliance with federal regulations must be determined based on the requirements of the originating program. For example, if a recipient is presumptively eligible for the Medicaid program based on eligibility for the TANF program, then the recipient should be audited for the requirements of the TANF program.

- For the eligibility compliance requirement: If an individual is found to be presumptively eligible for a program based on eligibility determinations performed by a federal program such as Medicare or Social Security Insurance, these sample items should not be replaced. The eligibility for those federal programs should be verified and these individuals will be considered eligible for the program.

- For the eligibility compliance requirement: Also, all eligibility determinations or re-enrollments should be audited for the individuals selected for audit.

- For the eligibility compliance requirement: Individuals determined eligible in a county different from the one audited should be replaced if they currently reside in the audited county. However, supporting documentation should be obtained from the originating county to support the eligibility determination and the eligibility determination should be audited for accuracy. Documentation of the reason of the replacement should be noted in section 6D of the turnaround document. Any errors noted, including if no documentation is available to support the eligibility determination, should be reported in sections 6G and 6H on the 2017 Turnaround Document and reported on the Eligibility Error Documentation Template – Other Compliance Errors tab.

- For the eligibility compliance requirement: Individuals determined eligible in a county different from the one audited should be replaced if the recipient does not currently and has never resided in the audited county. Documentation of the reason of the replacement should be noted in section 6D of the turnaround document. The Office of the State Auditor requests that these sample items be tested for proper eligibility determination. Any errors noted, including if no documentation is available to support the eligibility determination, should be reported in sections 6G and 6H on the 2017 Turnaround Document and reported on the Eligibility Error Documentation Template – Other Compliance Errors tab.

- See Attachment A for guidance on suggested eligibility testing attributes and error descriptions for the Adoption Assistance Title IV-E program. Attributes for the Medicaid program have been provided by NC DHHS through the use of the Eligibility Review Document – Medicaid/NC Health Choice.
9) If there are no errors identified, how would the results be presented for those programs audited for eligibility on the Turnaround Document?

If there are no internal control errors identified related to eligibility; Step 3 would be marked “No” and Step 4 would indicate the Number of Errors to be “0.”

If there are no compliance errors identified related to eligibility; Step 5 would be marked “No” and Step 6 would indicate the Number of Errors to be “0” along with Questioned Costs as “$0.”

10) If errors are identified, what supporting documentation should be included with the Turnaround Document?

The Turnaround Document should indicate all case files that contained errors related to eligibility. Copies of the audit finding(s) for eligibility should be submitted as additional documentation to support noted errors.

For example, during the audit of the Medicaid program, the case file for Jane Doe is missing state residency verification and has an incorrect budget calculation, and the case file for John Doe is only missing state residency verification. This would lead to two case files with errors listed on the Turnaround Document; however, the copy of audit findings would indicate the incorrect budget calculation and the form missing from Jane Doe’s case file and the one form missing from John Doe’s case file.

In addition, the Eligibility Error Documentation Template should be used in detailing each specific error for a case file. This will aid the NC Department of Health and Human Services (NC DHHS) with the subsequent follow-up of errors noted. The error listing should include HIPAA compliant identification information, such as SCS case number or NCFAST product delivery case (PDC) number.

11) When should Questioned Costs be reported on the Turnaround Documents?

If a participant is found to be ineligible during testing, additional steps to identify the questioned costs are necessary. The population reports provided to the counties / health districts have the total benefits paid for the report time period. If an individual was deemed ineligible only for a specific time period during state fiscal year 2017, follow-up with county / health district and state-level officials will be necessary to obtain the associated questioned costs. If that information is not available at the county, information should be obtained from the NC DHHS. The following contacts are available to obtain further assistance:

<table>
<thead>
<tr>
<th>Program</th>
<th>Contact Name</th>
<th>Contact Phone Number</th>
<th>Contact Email Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption Assistance</td>
<td>Kevin Kelley, DSS</td>
<td>919-527-6340</td>
<td><a href="mailto:kevin.kelley@dhhs.nc.gov">kevin.kelley@dhhs.nc.gov</a></td>
</tr>
<tr>
<td>Adoption</td>
<td>Susan Sanderson,</td>
<td>910-298-4395</td>
<td><a href="mailto:susan.sanderson@dhhs.nc.gov">susan.sanderson@dhhs.nc.gov</a></td>
</tr>
</tbody>
</table>
All costs related to a participant identified as ineligible during testing should be listed as a questioned cost. The questioned cost may be trivial to a specific county; however, total questioned costs state-wide could be above the $25,000 questioned costs threshold stated in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Grants, Audits of States, Local Governments, and Non-Profit Organizations* as found in 2 CFR 200.

12) What type of quality control reviews will be completed and when will these occur?

Quality control reviews will be completed on a sample basis for firms completing the audit of major programs for which the eligibility intake function opinion was relied upon. The quality control reviews will be performed to ensure that audits are completed in a consistent manner and the reliance upon the opinion was warranted. You will be notified of your selection by our office to schedule the quality control review at your location.

If there are any questions regarding the completion of the Letter of Representations or the Turnaround Document for the eligibility audits completed on behalf of the Office of the State Auditor please contact:

**Katie Gleason**  
Audit Director  
(919) 807-7563

**Michael Schertzinger**  
Audit Manager  
(919) 807-7677