

Administrative Policy No. 19.85.53

Subject: Overpayments Identified via Audits on Contractors, Clients, and Providers/Vendors

Information Contact: Office of Accounting Services
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Authorizing Source: [42 USC § 1396b \(d\)\(2\)\(C\)](#)
DSHS Administrative Policies:
[04.13](#), Delegation of Authority, Office of Financial Recovery
[16.01](#), Internal Audit

Effective Date: February 20, 2007

Revised: July 23, 2015

Approved By: Original signed by Kathy Marshall
Chief Financial Officer / Assistant Secretary

Purpose

This policy describes how DSHS manages, refers, collects, and reports overpayments identified by audits of contractors, clients, providers, or vendors.

Additional Guidance

[2 CFR Part 200](#) - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
DSHS Administrative Policies
[04.13](#), Delegation of Authority, Office of Financial Recovery
[10.02](#), Overpayment & Debts for Providers and Vendors
[19.55.01](#), DSHS Questioned Costs Identified via External Audits on DSHS

Scope

This policy applies to all DSHS programs entering into contracts with other contractors, clients, providers, or vendors.

This policy does not apply to:

1. Audit findings that do not identify overpayments or questioned costs.

2. Employee overpayments. For employee overpayments, refer to Administrative Policy [19.25.01](#), Employee Overpayments.
3. Audits conducted of DSHS programs that result in questioned costs, overpayments, disallowances, or deferrals. For these issues refer to Administrative Policy [19.55.01](#), DSHS Questioned Costs Identified via External Audits on DSHS.
4. Contract monitoring or program review by staff within the same program.

Definitions

Audit means systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries, and confirmations with third parties. (SAAM)

Client means a person who received services offered by the department based on their individual or family need.

Contractor means the individual or entity performing services pursuant to a signed DSHS contract and includes the contractor's owners, members, officers, directors, partners, employees, and/or agents, unless otherwise stated in the contract. For the purposes of this policy, "contractor" includes any subcontractor and its owners, members, officers, directors, partners, employees, and/or agents.

Corrective action plan means a response to audit findings that documents how deficiencies are to be corrected, how improvements are to be made, or demonstrates that audit findings are invalid or do not warrant any subsequent action.

DSHS means the Department of Social and Health Services.

Overpayment means any department payment or benefit in excess of the amount the provider, vendor, contractor, or client was entitled to receive pursuant to law, rule, or contract, including amount in dispute. An overpayment can be a questioned cost.

Program means an administration, division, or program within DSHS.

Provider or vendor means an entity that provides goods or services to/for department clients.

Questioned costs are expenditures identified through an audit and considered to be in error.

Policy

The following policy contains the defined roles and responsibilities to help ensure funds are correctly collected and returned to the funding entity.

A. Programs must complete corrective action plans and pursue collection of determined

overpayments.

1. Programs will evaluate the questioned costs and facilitate determination of amount by performing or coordinating the following:
 - a. Review of the audit finding(s).
 - b. Discuss with the contractor, client, provider, or vendor and review their documentation of the questioned transactions, if necessary.
 - c. Discuss with the auditing entity and review the audit documentation.
 - d. Conduct additional research and data collection, as needed.
 - e. Complete corrective action plan, per [2 CFR Part 200](#), Subpart F - Audit Requirements.
2. Once the amount of the questioned cost has been determined, the program must:
 - a. Refer any resulting overpayments to the Office of Financial Recovery (OFR) to perform collections.
 - i. Use appropriate payment coding.
 - ii. Maintain documentation to provide evidence of the OFR referral.
 - b. Refer any questioned cost to the Office of Accounting Services (OAS) if there is a potential liability risk. If the questioned cost involves Medicaid then OAS must notify the Health Care Authority within seven business days.

B. OFR is responsible for collecting overpayments (4.13, Delegation of Authority, Office of Financial Recovery)

C. The return of federal funds must be properly documented.

D. OAS is responsible for recording potential liability risks once they are referred by the Program

OAS must accrue the non-state share of the liability in GL 5113 – Potential Liabilities if both of the following conditions are met:

1. It is probable the program will be required to return the funds.
2. The amount of the questioned costs can be reasonably estimated.