



## **EXECUTIVE SUMMARY**

### **DEPARTMENT OF HEALTH DIVISION OF CERTIFICATE OF NEED AND LICENSING CERTIFICATE OF NEED PROGRAM July 1, 2021 to October 31, 2023**

We found the financial transactions included in our testing were related to the program, were reasonable; however, some revenue transactions were not always recorded properly in the accounting system. In making these determinations, we noted weaknesses in internal controls over the Division of Certificate of Need's (division) processing of application filing fees and adherence to the administrative code during the application review process. In addition, we determined the division does not have official standard operating policies and procedures.

#### **AUDIT HIGHLIGHTS**

- The division is not enforcing compliance with the administrative code when approving Certificate of Need applications. We judgmentally reviewed 7 of 15 completed applications to determine if the applicant submitted all information required by the administrative code and the division. We found four applicants had facilities in other states but did not document their efforts to obtain written licensing reports from the licensing agencies in those states as required by the code.
- The division does not have any official standard operating policies and procedures over the Certificate of Need application review process, including the track record review. We also noted the division does not require its analysts to document their work performed when evaluating an applicant's track record. Documentation is necessary to verify the accuracy and completeness of the work performed during the application review process.
- A Certificate of Need application may be denied when an applicant's criminal history identifies certain disqualifying offenses. However, we found criminal history background checks are not performed during the application review process, which prevents the division from determining if an applicant has a disqualifying record.
- A Certificate of Need is valid for a period of five years. However, applicants may file for extensions if they anticipate the healthcare facility will not be licensed before the expiration date. An expedited review process is to be used for an extension of time for an unimplemented Certificate of Need application. However, we found the division does not perform track record reviews when applicants request an extension of time for an unimplemented Certificate of Need application.
- The division is not completing the application process within the required timeframes, and the department is not completing annual reviews. We reviewed 11 applications requiring an expedited review and found nine were not reviewed within the required 90 days, ranging from 166 to 260 business days to review.
- We tested 80 revenue transactions during the period July 2021 through October 2023 and found a total of \$861,773 transactions were not posted to the correct account. All exceptions were due to human error and the lack of standard operating procedures.

#### **AUDITEE RESPONSE**

The department generally concurs with our findings and recommendations.

For the complete audit report or to print this Executive Summary, click on the attached files.