

STATE OF MINNESOTA

Work Order Engagement Request

For Audit Services

Master Contract T-1449A

Authority and Title

Under Master Contract T-1449A, the Minnesota Office of the Legislative Auditor (“State”) is seeking to award a work order contract for a *Financial Audit of the Administrative Expenses and Investment Income of Itasca Medical Care*.

Engagement Description

The State is in need of professional services to audit and analyze financial statements, records, and other data reported by **Itasca Medical Care dba IMCare (IMCare)** to determine: (1) the accuracy, completeness, and reliability of IMCare’s reported administrative expenses and investment income; (2) whether the administrative expenses and investment income are reasonable, appropriate, and related to services provided under the State of Minnesota contracts for Medical Assistance programs; and (3) whether the reported administrative expenses and investment income are in compliance with state and federal law.¹

This audit work is part of a broader initiative by policy makers to understand and assess the costs and value of Minnesota’s public health care programs.² The tasks and deliverables below will be developed and integrated with other audit work to construct a more comprehensive financial picture of spending for managed care services, both within and across managed care organizations. The results of the audit work also will be used to help assess the capitation payment rate-setting methods of the Minnesota Department of Human Services (DHS), as well as compliance with the federal Medicaid rate-certification process.

Major Tasks and Deliverables

The Contractor will be expected to provide the following services; explicit tasks and deadlines will be outlined within the work order contract workplan:

1. Develop and submit to the State final plans for sampling and testing expenditures, investment income, and relevant statistical information related to IMCare’s 2012 Annual Statement and Minnesota Supplement Reports #1 and #1A. The sampling plans must: (1) include statistically valid methods of random sampling (by program and subcategory) and purposive sampling of key items; (2) propose materiality thresholds; (3) identify the population, sampling frame, sample units, sample design, sample size, sourcing, method for selecting sample items, and estimation methodology; and (4) be designed to ensure acceptable execution of the audit work.
2. Audit and compare administrative expense and investment income reported in IMCare’s Statutory Annual Statement for 2012 with related data reported in Supplement Reports #1 and #1A, income statements, and other financial and audit reports; document the results. For this work, the Contractor should:
 - a. Execute State-approved test plans to verify that information reported as administrative expense and investment income in IMCare’s Statutory Annual Statement for 2012 is complete, accurate, and reported in accordance with NAIC accounting standards, Minnesota’s prescribed and permitted practices, and state and federal laws; and document any differences;

¹ The scope of work for this financial audit includes: (1) Minnesota’s PMAP, MSHO, MSC+, SNBC, PINS, and MinnesotaCare programs; and (2) all expense categories and subcategories for cost containment, claims adjustment, general administrative, and investments; investment earnings and income; and underlying data—such as revenues and member months—used for determining expense allocations across subcategories and programs.

² *Minnesota Statutes* 2013, 256B.69, subs. 9c and 9d, outline the full scope of audit work.

- b. Verify that the Minnesota Supplement Reports #1 and #1A filed for 2012 were completed according to Minnesota statutes and Minnesota Department of Health rules and instructions;
 - c. Determine whether the expense allocation between legal entities is consistent with Statements of Statutory Accounting Principles No. 25 (fair and reasonable);
 - d. Identify IMCare's expense allocation methods among programs and verify compliance with agreed-upon methods and state and federal laws; and
 - e. Compare and analyze the 2011 and 2012 Minnesota Supplement Report #1, including underlying administrative expense data from the Statutory Annual Statement; research any significant differences.
3. Identify and use appropriate state and federal standards—for example, U.S. Federal Acquisition Regulations—to determine whether IMCare's 2012 administrative expenses are reasonable, appropriate, and likely related to services provided through Minnesota's Medical Assistance program; determine the extent to which IMCare's administrative expenses are allowable for capitation rate-setting purposes. For example, see The Centers for Medicare and Medicaid Services' (CMS) *Appendix A: PAHP, PIHP, and MCO Contracts, Financial Review Documentation for At-risk Capitated Contracts Ratesetting, Edit Date: 7/22/03, AA.3.2.*
 4. Compare IMCare's reported 2012 administrative expense and investment income data with similar data reported to CMS and the Minnesota departments of Human Services, Health, and Commerce; research and document any significant differences.
 5. Request and acquire data, reports, and any other information or communication needed to execute the aforementioned tasks and deliverables; conduct on-site field work as needed.
 6. Prepare a draft and a final report of audit findings and conclusions. The reports must include a brief executive summary highlighting the key findings, a full final report that lays out the audit results and supporting analysis, and a fully sourced copy.

Estimated Work Order Contract Milestones and Schedule

- Begin Date (work order contract effective date): **December 8, 2013**, or effective date of work order contract, whichever is later.
- Submission of draft report—with executive summary of key findings—to the State: **April 4, 2014**.
- Submission of final report—including sourced, indexed copy—to the State: **April 25, 2014**.

Contractor Responsibilities

Contractor will be expected to:

1. Keep the State apprised of any changes in its staffing or management processes, as well as the impact of such changes on the work order assignment and timelines.
2. Conduct the audit work in accordance with generally accepted government auditing standards.
3. Comply with *Minnesota Statutes* 2013, chapter 326A.
4. Document progress through periodic status reports and meetings with the State's project manager.
5. Comply with the State's work paper and documentation practices, including verification and sourcing of final deliverables.

Instructions and Response Requirements

Provide the following information in your response to this engagement request by **December 1, 2013**. You do not need to provide additional information; for example, project approach, methods, or sample workplans.

1. Project manager name.
2. Estimated number of staff and their names.
3. Estimated number of hours necessary to complete the tasks and deliverables outlined in this request.

4. Adequacy of your current operational and IT support structures (office space, hardware/software, etc.).
5. Needed operational or IT support structures to carry out the work assignment (at Contractor site, the State's work site, or for on-site field work at **IMCare**).
6. Anticipated training needs for Contractor staff.
7. Your **Proposed Cost Detail**.

NOTICE: This Engagement Request does not obligate the State to award a work order contract or complete the project or engagement, and the State reserves the right to cancel the proposed transaction if it is considered to be in its best interest. The State reserves the right to negotiate fee schedules with the selected Responder. All costs incurred in responding to this engagement request will be borne by the Responder.

Proposal Submission Instructions

Please submit two copies of your response, with authorized signatures, via mail to:

Valerie Bombach, Principal Program Evaluator
Office of the Legislative Auditor
658 Cedar St., Room 140
St. Paul, MN 55155

Proposal Contents

By submission of a proposal to this engagement request, Responder warrants that the information provided is true, correct and reliable for purposes of evaluation for potential award of a work order contract. The submission of inaccurate or misleading information may be grounds for disqualification from the award as well as subject the responder to suspension or debarment proceedings as well as other remedies available by law.

Disposition of Responses

All materials submitted in response to this engagement request will become property of the State and will become public record in accordance with *Minnesota Statutes*, 3.979 and 13.591. If the Responder submits information in response to this engagement request that it believes to be trade secret materials, as defined by the Minnesota Government Data Practices Act, *Minnesota Statutes*, chapter 13, the Responder must (1) clearly mark all trade secret materials in its proposal at the time the proposal is submitted, (2) include a statement with its response justifying the trade secret designation for each item, and (3) defend any action seeking release of the materials it believes to be trade secret, and indemnify and hold harmless the State, its agents and employees, from any judgments or damages awarded against the State in favor of the party requesting the materials, and any and all costs connected with that defense. This indemnification survives the State's award of a contract. In submitting a response to this engagement request, the Responder agrees that this indemnification survives as long as the trade secret materials are in possession of the State.

The State will not consider the prices submitted by the Responder to be proprietary or trade secret materials.

STATE OF MINNESOTA

Work Order Engagement Request

For Audit Services

Master Contract T-1449A

Authority and Title

Under Master Contract T-1449A, the Minnesota Office of the Legislative Auditor (“State”) is seeking to award a work order contract for a *Financial Audit of the Administrative Expenses and Investment Income of Metropolitan Health Plan*.

Engagement Description

The State is in need of professional services to audit and analyze financial statements, records, and other data reported by **Metropolitan Health Plan dba Hennepin Health (MHP)** to determine: (1) the accuracy, completeness, and reliability of MHP’s reported administrative expenses and investment income; (2) whether the administrative expenses and investment income are reasonable, appropriate, and related to services provided under the State of Minnesota contracts for Medical Assistance programs; and (3) whether the reported administrative expenses and investment income are in compliance with state and federal law.¹

This audit work is part of a broader initiative by policy makers to understand and assess the costs and value of Minnesota’s public health care programs.² The tasks and deliverables below will be developed and integrated with other audit work to construct a more comprehensive financial picture of spending for managed care services, both within and across managed care organizations. The results of the audit work also will be used to help assess the capitation payment rate-setting methods of the Minnesota Department of Human Services (DHS), as well as compliance with the federal Medicaid rate-certification process.

Major Tasks and Deliverables

The Contractor will be expected to provide the following services; explicit tasks and deadlines will be outlined within the work order contract workplan:

1. Develop and submit to the State final plans for sampling and testing expenditures, investment income, and relevant statistical information related to MHP’s 2012 Annual Statement and Minnesota Supplement Reports #1 and #1A. The sampling plans must: (1) include statistically valid methods of random sampling (by program and subcategory) and purposive sampling of key items; (2) propose materiality thresholds; (3) identify the population, sampling frame, sample units, sample design, sample size, sourcing, method for selecting sample items, and estimation methodology; and (4) be designed to ensure acceptable execution of the audit work.
2. Audit and compare administrative expense and investment income reported in MHP’s Statutory Annual Statement for 2012 with related data reported in Supplement Reports #1 and #1A, income statements, and other financial and audit reports; document the results. For this work, the Contractor should:
 - a. Execute State-approved test plans to verify that information reported as administrative expense and investment income in MHP’s Statutory Annual Statement for 2012 is complete, accurate, and reported in accordance with NAIC accounting standards, Minnesota’s prescribed and permitted practices, and state and federal laws; and document any differences;

¹ The scope of work for this financial audit includes: (1) Minnesota’s PMAP, MSHO, MSC+, SNBC, PINS, and MinnesotaCare programs; and (2) all expense categories and subcategories for cost containment, claims adjustment, general administrative, and investments; investment earnings and income; and underlying data—such as revenues and member months—used for determining expense allocations across subcategories and programs.

² *Minnesota Statutes* 2013, 256B.69, subs. 9c and 9d, outline the full scope of audit work.

- b. Verify that the Minnesota Supplement Reports #1 and #1A filed for 2012 were completed according to Minnesota statutes and Minnesota Department of Health rules and instructions;
 - c. Determine whether the expense allocation between legal entities is consistent with Statements of Statutory Accounting Principles No. 25 (fair and reasonable);
 - d. Identify MHP's expense allocation methods among programs and verify compliance with agreed-upon methods and state and federal laws; and
 - e. Compare and analyze the 2011 and 2012 Minnesota Supplement Report #1, including underlying administrative expense data from the Statutory Annual Statement; research any significant differences.
3. Identify and use appropriate state and federal standards—for example, U.S. Federal Acquisition Regulations—to determine whether MHP's 2012 administrative expenses are reasonable, appropriate, and likely related to services provided through Minnesota's Medical Assistance program; determine the extent to which MHP's administrative expenses are allowable for capitation rate-setting purposes. For example, see *The Centers for Medicare and Medicaid Services' (CMS) Appendix A: PAHP, PIHP, and MCO Contracts, Financial Review Documentation for At-risk Capitated Contracts Ratesetting, Edit Date: 7/22/03, AA.3.2.*
 4. Compare MHP's reported 2012 administrative expense and investment income data with similar data reported to CMS and the Minnesota departments of Human Services, Health, and Commerce; research and document any significant differences.
 5. Request and acquire data, reports, and any other information or communication needed to execute the aforementioned tasks and deliverables; conduct on-site field work as needed.
 6. Prepare a draft and a final report of audit findings and conclusions. The reports must include a brief executive summary highlighting the key findings, a full final report that lays out the audit results and supporting analysis, and a fully sourced copy.

Estimated Work Order Contract Milestones and Schedule

- Begin Date (work order contract effective date): **December 8, 2013**, or effective date of work order contract, whichever is later.
- Submission of draft report—with executive summary of key findings—to the State: **April 4, 2014**.
- Submission of final report—including sourced, indexed copy—to the State: **April 25, 2014**.

Contractor Responsibilities

Contractor will be expected to:

1. Keep the State apprised of any changes in its staffing or management processes, as well as the impact of such changes on the work order assignment and timelines.
2. Conduct the audit work in accordance with generally accepted government auditing standards.
3. Comply with *Minnesota Statutes* 2013, chapter 326A.
4. Document progress through periodic status reports and meetings with the State's project manager.
5. Comply with the State's work paper and documentation practices, including verification and sourcing of final deliverables.

Instructions and Response Requirements

Provide the following information in your response to this engagement request by **December 1, 2013**. You do not need to provide additional information; for example, project approach, methods, or sample workplans.

1. Project manager name.
2. Estimated number of staff and their names.
3. Estimated number of hours necessary to complete the tasks and deliverables outlined in this request.

4. Adequacy of your current operational and IT support structures (office space, hardware/software, etc.).
5. Needed operational or IT support structures to carry out the work assignment (at Contractor site, the State's work site, or for on-site field work at **MHP**).
6. Anticipated training needs for Contractor staff.
7. Your **Proposed Cost Detail**.

NOTICE: This Engagement Request does not obligate the State to award a work order contract or complete the project or engagement, and the State reserves the right to cancel the proposed transaction if it is considered to be in its best interest. The State reserves the right to negotiate fee schedules with the selected Responder. All costs incurred in responding to this engagement request will be borne by the Responder.

Proposal Submission Instructions

Please submit two copies of your response, with authorized signatures, via mail to:

Valerie Bombach, Principal Program Evaluator
Office of the Legislative Auditor
658 Cedar St., Room 140
St. Paul, MN 55155

Proposal Contents

By submission of a proposal to this engagement request, Responder warrants that the information provided is true, correct and reliable for purposes of evaluation for potential award of a work order contract. The submission of inaccurate or misleading information may be grounds for disqualification from the award as well as subject the responder to suspension or debarment proceedings as well as other remedies available by law.

Disposition of Responses

All materials submitted in response to this engagement request will become property of the State and will become public record in accordance with *Minnesota Statutes*, 3.979 and 13.591. If the Responder submits information in response to this engagement request that it believes to be trade secret materials, as defined by the Minnesota Government Data Practices Act, *Minnesota Statutes*, chapter 13, the Responder must (1) clearly mark all trade secret materials in its proposal at the time the proposal is submitted, (2) include a statement with its response justifying the trade secret designation for each item, and (3) defend any action seeking release of the materials it believes to be trade secret, and indemnify and hold harmless the State, its agents and employees, from any judgments or damages awarded against the State in favor of the party requesting the materials, and any and all costs connected with that defense. This indemnification survives the State's award of a contract. In submitting a response to this engagement request, the Responder agrees that this indemnification survives as long as the trade secret materials are in possession of the State.

The State will not consider the prices submitted by the Responder to be proprietary or trade secret materials.

STATE OF MINNESOTA

Work Order Engagement Request

For Audit Services

Master Contract T-1449A

Authority and Title

Under Master Contract T-1449A, the Minnesota Office of the Legislative Auditor (“State”) is seeking to award a work order contract for a *Financial Audit of the Administrative Expenses and Investment Income of PrimeWest Health*.

Engagement Description

The State is in need of professional services to audit and analyze financial statements, records, and other data reported by **PrimeWest Health (PrimeWest)** to determine: (1) the accuracy, completeness, and reliability of PrimeWest’s reported administrative expenses and investment income; (2) whether the administrative expenses and investment income are reasonable, appropriate, and related to services provided under the State of Minnesota contracts for Medical Assistance programs; and (3) whether the reported administrative expenses and investment income are in compliance with state and federal law.¹

This audit work is part of a broader initiative by policy makers to understand and assess the costs and value of Minnesota’s public health care programs.² The tasks and deliverables below will be developed and integrated with other audit work to construct a more comprehensive financial picture of spending for managed care services, both within and across managed care organizations. The results of the audit work also will be used to help assess the capitation payment rate-setting methods of the Minnesota Department of Human Services (DHS), as well as compliance with the federal Medicaid rate-certification process.

Major Tasks and Deliverables

The Contractor will be expected to provide the following services; explicit tasks and deadlines will be outlined within the work order contract workplan:

1. Develop and submit to the State final plans for sampling and testing expenditures, investment income, and relevant statistical information related to PrimeWest’s 2012 Annual Statement and Minnesota Supplement Reports #1 and #1A. The sampling plans must: (1) include statistically valid methods of random sampling (by program and subcategory) and purposive sampling of key items; (2) propose materiality thresholds; (3) identify the population, sampling frame, sample units, sample design, sample size, sourcing, method for selecting sample items, and estimation methodology; and (4) be designed to ensure acceptable execution of the audit work.
2. Audit and compare administrative expense and investment income reported in PrimeWest’s Statutory Annual Statement for 2012 with related data reported in Supplement Reports #1 and #1A, income statements, and other financial and audit reports; document the results. For this work, the Contractor should:
 - a. Execute State-approved test plans to verify that information reported as administrative expense and investment income in PrimeWest’s Statutory Annual Statement for 2012 is complete, accurate, and reported in accordance with NAIC accounting standards, Minnesota’s prescribed and permitted practices, and state and federal laws; and document any differences;

¹ The scope of work for this financial audit includes: (1) Minnesota’s PMAP, MSHO, MSC+, SNBC, PINS, and MinnesotaCare programs; and (2) all expense categories and subcategories for cost containment, claims adjustment, general administrative, and investments; investment earnings and income; and underlying data—such as revenues and member months—used for determining expense allocations across subcategories and programs.

² *Minnesota Statutes* 2013, 256B.69, subs. 9c and 9d, outline the full scope of audit work.

- b. Verify that the Minnesota Supplement Reports #1 and #1A filed for 2012 were completed according to Minnesota statutes and Minnesota Department of Health rules and instructions;
 - c. Determine whether the expense allocation between legal entities is consistent with Statements of Statutory Accounting Principles No. 25 (fair and reasonable);
 - d. Identify PrimeWest's expense allocation methods among programs and verify compliance with agreed-upon methods and state and federal laws; and
 - e. Compare and analyze the 2011 and 2012 Minnesota Supplement Report #1, including underlying administrative expense data from the Statutory Annual Statement; research any significant differences.
3. Identify and use appropriate state and federal standards—for example, U.S. Federal Acquisition Regulations—to determine whether PrimeWest's 2012 administrative expenses are reasonable, appropriate, and likely related to services provided through Minnesota's Medical Assistance program; determine the extent to which PrimeWest's administrative expenses are allowable for capitation rate-setting purposes. For example, see The Centers for Medicare and Medicaid Services' (CMS) *Appendix A: PAHP, PIHP, and MCO Contracts, Financial Review Documentation for At-risk Capitated Contracts Ratesetting, Edit Date: 7/22/03, AA.3.2.*
 4. Compare PrimeWest's reported 2012 administrative expense and investment income data with similar data reported to CMS and the Minnesota departments of Human Services, Health, and Commerce; research and document any significant differences.
 5. Request and acquire data, reports, and any other information or communication needed to execute the aforementioned tasks and deliverables; conduct on-site field work as needed.
 6. Prepare a draft and a final report of audit findings and conclusions. The reports must include a brief executive summary highlighting the key findings, a full final report that lays out the audit results and supporting analysis, and a fully sourced copy.

Estimated Work Order Contract Milestones and Schedule

- Begin Date (work order contract effective date): **December 8, 2013**, or effective date of work order contract, whichever is later.
- Submission of draft report—with executive summary of key findings—to the State: **April 4, 2014**.
- Submission of final report—including sourced, indexed copy—to the State: **April 25, 2014**.

Contractor Responsibilities

Contractor will be expected to:

1. Keep the State apprised of any changes in its staffing or management processes, as well as the impact of such changes on the work order assignment and timelines.
2. Conduct the audit work in accordance with generally accepted government auditing standards.
3. Comply with *Minnesota Statutes* 2013, chapter 326A.
4. Document progress through periodic status reports and meetings with the State's project manager.
5. Comply with the State's work paper and documentation practices, including verification and sourcing of final deliverables.

Instructions and Response Requirements

Provide the following information in your response to this engagement request by **December 1, 2013**. You do not need to provide additional information; for example, project approach, methods, or sample workplans.

1. Project manager name.
2. Estimated number of staff and their names.
3. Estimated number of hours necessary to complete the tasks and deliverables outlined in this request.

4. Adequacy of your current operational and IT support structures (office space, hardware/software, etc.).
5. Needed operational or IT support structures to carry out the work assignment (at Contractor site, the State's work site, or for on-site field work at **PrimeWest**).
6. Anticipated training needs for Contractor staff.
7. Your **Proposed Cost Detail**.

NOTICE: This Engagement Request does not obligate the State to award a work order contract or complete the project or engagement, and the State reserves the right to cancel the proposed transaction if it is considered to be in its best interest. The State reserves the right to negotiate fee schedules with the selected Responder. All costs incurred in responding to this engagement request will be borne by the Responder.

Proposal Submission Instructions

Please submit two copies of your response, with authorized signatures, via mail to:

Valerie Bombach, Principal Program Evaluator
Office of the Legislative Auditor
658 Cedar St., Room 140
St. Paul, MN 55155

Proposal Contents

By submission of a proposal to this engagement request, Responder warrants that the information provided is true, correct and reliable for purposes of evaluation for potential award of a work order contract. The submission of inaccurate or misleading information may be grounds for disqualification from the award as well as subject the responder to suspension or debarment proceedings as well as other remedies available by law.

Disposition of Responses

All materials submitted in response to this engagement request will become property of the State and will become public record in accordance with *Minnesota Statutes*, 3.979 and 13.591. If the Responder submits information in response to this engagement request that it believes to be trade secret materials, as defined by the Minnesota Government Data Practices Act, *Minnesota Statutes*, chapter 13, the Responder must (1) clearly mark all trade secret materials in its proposal at the time the proposal is submitted, (2) include a statement with its response justifying the trade secret designation for each item, and (3) defend any action seeking release of the materials it believes to be trade secret, and indemnify and hold harmless the State, its agents and employees, from any judgments or damages awarded against the State in favor of the party requesting the materials, and any and all costs connected with that defense. This indemnification survives the State's award of a contract. In submitting a response to this engagement request, the Responder agrees that this indemnification survives as long as the trade secret materials are in possession of the State.

The State will not consider the prices submitted by the Responder to be proprietary or trade secret materials.

STATE OF MINNESOTA

Work Order Engagement Request

For Audit Services

Master Contract T-1449A

Authority and Title

Under Master Contract T-1449A, the Minnesota Office of the Legislative Auditor (“State”) is seeking to award a work order contract for a *Financial Audit of the Administrative Expenses and Investment Income of South Country Health Alliance*.

Engagement Description

The State is in need of professional services to audit and analyze financial statements, records, and other data reported by **South Country Health Alliance (SCHA)** to determine: (1) the accuracy, completeness, and reliability of SCHA’s reported administrative expenses and investment income; (2) whether the administrative expenses and investment income are reasonable, appropriate, and related to services provided under the State of Minnesota contracts for Medical Assistance programs; and (3) whether the reported administrative expenses and investment income are in compliance with state and federal law.¹

This audit work is part of a broader initiative by policy makers to understand and assess the costs and value of Minnesota’s public health care programs.² The tasks and deliverables below will be developed and integrated with other audit work to construct a more comprehensive financial picture of spending for managed care services, both within and across managed care organizations. The results of the audit work also will be used to help assess the capitation payment rate-setting methods of the Minnesota Department of Human Services (DHS), as well as compliance with the federal Medicaid rate-certification process.

Major Tasks and Deliverables

The Contractor will be expected to provide the following services; explicit tasks and deadlines will be outlined within the work order contract workplan:

1. Develop and submit to the State final plans for sampling and testing expenditures, investment income, and relevant statistical information related to SCHA’s 2012 Annual Statement and Minnesota Supplement Reports #1 and #1A. The sampling plans must: (1) include statistically valid methods of random sampling (by program and subcategory) and purposive sampling of key items; (2) propose materiality thresholds; (3) identify the population, sampling frame, sample units, sample design, sample size, sourcing, method for selecting sample items, and estimation methodology; and (4) be designed to ensure acceptable execution of the audit work.
2. Audit and compare administrative expense and investment income reported in SCHA’s Statutory Annual Statement for 2012 with related data reported in Supplement Reports #1 and #1A, income statements, and other financial and audit reports; document the results. For this work, the Contractor should:
 - a. Execute State-approved test plans to verify that information reported as administrative expense and investment income in SCHA’s Statutory Annual Statement for 2012 is complete, accurate, and reported in accordance with NAIC accounting standards, Minnesota’s prescribed and permitted practices, and state and federal laws; and document any differences;

¹ The scope of work for this financial audit includes: (1) Minnesota’s PMAP, MSHO, MSC+, SNBC, PINS, and MinnesotaCare programs; and (2) all expense categories and subcategories for cost containment, claims adjustment, general administrative, and investments; investment earnings and income; and underlying data—such as revenues and member months—used for determining expense allocations across subcategories and programs.

² *Minnesota Statutes* 2013, 256B.69, subs. 9c and 9d, outline the full scope of audit work.

- b. Verify that the Minnesota Supplement Reports #1 and #1A filed for 2012 were completed according to Minnesota statutes and Minnesota Department of Health rules and instructions;
 - c. Determine whether the expense allocation between legal entities is consistent with Statements of Statutory Accounting Principles No. 25 (fair and reasonable);
 - d. Identify SCHA's expense allocation methods among programs and verify compliance with agreed-upon methods and state and federal laws; and
 - e. Compare and analyze the 2011 and 2012 Minnesota Supplement Report #1, including underlying administrative expense data from the Statutory Annual Statement; research any significant differences.
3. Identify and use appropriate state and federal standards—for example, U.S. Federal Acquisition Regulations—to determine whether SCHA's 2012 administrative expenses are reasonable, appropriate, and likely related to services provided through Minnesota's Medical Assistance program; determine the extent to which SCHA's administrative expenses are allowable for capitation rate-setting purposes. For example, see The Centers for Medicare and Medicaid Services' (CMS) *Appendix A: PAHP, PIHP, and MCO Contracts, Financial Review Documentation for At-risk Capitated Contracts Ratesetting, Edit Date: 7/22/03, AA.3.2.*
 4. Compare SCHA's reported 2012 administrative expense and investment income data with similar data reported to CMS and the Minnesota departments of Human Services, Health, and Commerce; research and document any significant differences.
 5. Request and acquire data, reports, and any other information or communication needed to execute the aforementioned tasks and deliverables; conduct on-site field work as needed.
 6. Prepare a draft and a final report of audit findings and conclusions. The reports must include a brief executive summary highlighting the key findings, a full final report that lays out the audit results and supporting analysis, and a fully sourced copy.

Estimated Work Order Contract Milestones and Schedule

- Begin Date (work order contract effective date): **December 8, 2013**, or effective date of work order contract, whichever is later.
- Submission of draft report—with executive summary of key findings—to the State: **April 4, 2014**.
- Submission of final report—including sourced, indexed copy—to the State: **April 25, 2014**.

Contractor Responsibilities

Contractor will be expected to:

1. Keep the State apprised of any changes in its staffing or management processes, as well as the impact of such changes on the work order assignment and timelines.
2. Conduct the audit work in accordance with generally accepted government auditing standards.
3. Comply with *Minnesota Statutes* 2013, chapter 326A.
4. Document progress through periodic status reports and meetings with the State's project manager.
5. Comply with the State's work paper and documentation practices, including verification and sourcing of final deliverables.

Instructions and Response Requirements

Provide the following information in your response to this engagement request by **December 1, 2013**. You do not need to provide additional information; for example, project approach, methods, or sample workplans.

1. Project manager name.
2. Estimated number of staff and their names.
3. Estimated number of hours necessary to complete the tasks and deliverables outlined in this request.

4. Adequacy of your current operational and IT support structures (office space, hardware/software, etc.).
5. Needed operational or IT support structures to carry out the work assignment (at Contractor site, the State's work site, or for on-site field work at SCHA).
6. Anticipated training needs for Contractor staff.
7. Your **Proposed Cost Detail**.

NOTICE: This Engagement Request does not obligate the State to award a work order contract or complete the project or engagement, and the State reserves the right to cancel the proposed transaction if it is considered to be in its best interest. The State reserves the right to negotiate fee schedules with the selected Responder. All costs incurred in responding to this engagement request will be borne by the Responder.

Proposal Submission Instructions

Please submit two copies of your response, with authorized signatures, via mail to:

Valerie Bombach, Principal Program Evaluator
Office of the Legislative Auditor
658 Cedar St., Room 140
St. Paul, MN 55155

Proposal Contents

By submission of a proposal to this engagement request, Responder warrants that the information provided is true, correct and reliable for purposes of evaluation for potential award of a work order contract. The submission of inaccurate or misleading information may be grounds for disqualification from the award as well as subject the responder to suspension or debarment proceedings as well as other remedies available by law.

Disposition of Responses

All materials submitted in response to this engagement request will become property of the State and will become public record in accordance with *Minnesota Statutes*, 3.979 and 13.591. If the Responder submits information in response to this engagement request that it believes to be trade secret materials, as defined by the Minnesota Government Data Practices Act, *Minnesota Statutes*, chapter 13, the Responder must (1) clearly mark all trade secret materials in its proposal at the time the proposal is submitted, (2) include a statement with its response justifying the trade secret designation for each item, and (3) defend any action seeking release of the materials it believes to be trade secret, and indemnify and hold harmless the State, its agents and employees, from any judgments or damages awarded against the State in favor of the party requesting the materials, and any and all costs connected with that defense. This indemnification survives the State's award of a contract. In submitting a response to this engagement request, the Responder agrees that this indemnification survives as long as the trade secret materials are in possession of the State.

The State will not consider the prices submitted by the Responder to be proprietary or trade secret materials.


November 20, 2013

Robert Bullen, Member
Myers and Stauffer LC
400 Redland Court, Suite 300
Owings Mills, MD 21117

Dear Bob:

Attached are four engagement requests to conduct financial audits of the administrative expenses and investment income of Itasca Medical Care, Metropolitan Health Plan, PrimeWest, and South Country Health Alliance. Please reply to OLA by December 1, 2013.

Regards,

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor


October 2013—December 2013

TO: File

From: Valerie Bombach

Subj: Correspondence re: OLA Master Contract_Audit, WO#1 Admin_Planning

October 21, 2013

From: "Bombach, Valerie (OLA)" <[REDACTED]>

To: "bbullen@mslc.com" <bbullen@mslc.com>

Date: 10/21/2013 5:28 PM

Subject: OLA Audit Engagement Request

Hello Bob -

Thanks for the quick reply on the COI question. I discussed the issue with Jim and he does not think it presents an obstacle for moving forward. As followup to our meeting last Wednesday, attached is an engagement request to audit the administrative expenses and investment income of **one** MCO. Please take note of a couple of items:

- 1) I pushed out the estimated deadlines for submitted a draft and final report to OLA; the impact is that I will be working off of draft findings as I am writing the final report.
- 2) The ER and preamble is written in a way to help us obtain federal reimbursement for the audit work.
- 3) I have already obtained most of the publicly-reported financial statements for the MCOs.
- 4) Per our discussion, I will look into finding space in our office for your staff when they are doing field work in Minnesota. In the meantime, please note in your response that your firm does not currently have an in-state office, and briefly describe your IT work-arounds to this.
- 5) Unless you have a lot of questions or would like to add more detail, I do not expect that a response to the ER would exceed 1-2 pages (with signatures).

Finally, please let me know if you have any questions. Responses submitted prior to the October 28 deadline are always welcome...

Regards,

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]

Engagement Requests

Bombach, Valerie (OLA)

Sent: Monday, October 28, 2013 1:17 PM

To: bbulleten@ [REDACTED]

Attachments: C-42.1 OLAAudit Engage Req~1.pdf (76 KB) ; C-43.1 OLAAudit Engage Req~1.pdf (76 KB) ; C-44.1 OLAAudit Engage Req~1.pdf (76 KB)

Bob -

Attached are three more engagement requests, all with a November 4 response deadline. As always, let me know if you have any questions/concerns. Thanks.

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]

November 1, 2013

Re: ERs and Draft Workplan

Bob Bullen [Bbulleten@ [REDACTED]]

Sent: Monday, November 04, 2013 7:50 AM

To: Bombach, Valerie (OLA)

FYI - I was able to download the draft workplan. Thanks

Bob Bullen, CPA, CFE
Member

MYERS AND STAUFFER LC

400 Redland Court, Suite 300

Owings Mills, MD 21117

PH [REDACTED]

PH [REDACTED] (direct)

www.mslc.com

DEDICATED TO GOVERNMENT HEALTH PROGRAMS

>>>

From: "Bombach, Valerie (OLA)" <[REDACTED]>
To: "bbulleten@[REDACTED]" <bbulleten@[REDACTED]>
Date: 11/1/2013 5:21 PM
Subject: ERs and Draft Workplan

Bob - I did receive the engagement requests. In my next email, I am sending you a draft workplan for the UCare work order contract for your review and comment. Please spend some time reviewing the content and submit

your proposed changes to me by mid-week; you can invoice your time to the WO#1 contract. Also, you will see that I have included a line item to provide for future amendments to the workplan.

As you R&C, please note the following:

- It is a draft, not-public document and is intended to obtain your feedback/any reactions you may have.
- I have incorporated much of the text from your RFP "project approach" document
- Please use track changes for your suggestions.

In your R&C,

- Revise/add-to the sections on Methods, Source Documents, Key References as you think necessary
- Consider if the sequencing of tasks makes sense
- Fill in your proposed deadlines for those items that I have left blank. The deadlines that I have included are pretty firm, but we can talk about them.

Finally, I am transferring the draft workplan via an encrypted email. I apologize in advance as it is a pretty hateful process for the recipient. Let me know on Monday if you were unable to download the doc, and I will figure a work around. I believe you can return the doc using the same service, but let me check on that.

Regards,

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]

November 1, 2013

[encrypt] Draft workplan

Bombach, Valerie (OLA)

Sent: Friday, November 01, 2013 4:23 PM

To: bbulleten@[REDACTED]

Attachments: C-40.e WO#1 Draft MCO Aud~1.docx (41 KB)

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]