



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION IX
90 - 7TH STREET, SUITE 3-650
SAN FRANCISCO, CA 94103

Report Number: A-09-13-02016

February 20, 2013

Mr. Toby Douglas
Director
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

Dear Mr. Douglas:

The purpose of this letter is to notify you of our intention to conduct an audit of Medicaid school-based administrative costs claimed by the California Department of Health Care Services (State agency). Our objective is to determine whether the State agency claimed school-based administrative costs for Chino Valley Unified School District in accordance with applicable Federal and State requirements. The audit period will include expenditures claimed for the period of service July 1, 2010, through March 30, 2011.

As a recipient of U.S. Department of Health and Human Services (HHS) grant funds, the State agency is subject to Office of Inspector General (OIG) audits and other reviews. Pursuant to 45 CFR § 92.42(e), OIG has the right to timely and unrestricted access to all books, documents, papers, or other records that are pertinent to the Federal grant award.

OIG performs independent reviews of HHS programs and operations pursuant to the Inspector General Act of 1978, 5 U.S.C. App. § 4(a)(1). Medicaid providers of services, under the authority contained in section 1902(a)(27) of the Social Security Act, must provide such information as the Secretary of HHS or the appropriate State agency requests regarding payments claimed for services.

Under the health information privacy regulation that implements the Health Insurance Portability and Accountability Act of 1996, providing the information requested by this letter is a permitted disclosure because it (1) is "required by law" to be produced to OIG as part of your participation in a Government benefits program (45 CFR §§ 164.512(a) and 164.103) and (2) will be used for "health oversight" activities by OIG, which meets the definition of a "health oversight agency" (45 CFR §§ 164.512(d) and 164.501).

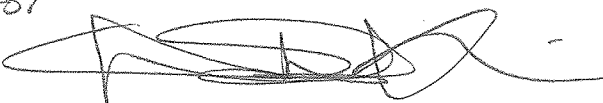
As arranged by Kristin Scully of my staff, we plan to hold an entrance conference on March 19, 2013, at 11:00 a.m. During our review, we will need access to documents and records. We appreciate your cooperation in this matter and will make every effort to minimize any disruption to the work of your office.

When transmitting any audit information to the Office of Audit Services over the Internet, please properly safeguard the information. We request that you use the HHS/OIG Delivery Server, not email or attachments to email. Information transmitted through the HHS/OIG Delivery Server complies with Federal Information Processing Standard (FIPS) 140-2, *Security Requirements for Cryptographic Modules*. At the entrance conference, we will discuss authorizing your staff to use the HHS/OIG Delivery Server and give you instructions in its use.

We are required to report as a security breach any audit information sent to us that does not meet FIPS 140-2 requirements.

If you have any questions or concerns about our review, please call Jessica Kim, Audit Manager, at (323) 261-7218, extension 301, or Marc DeGuzman, Senior Auditor, at (323) 261-7218, extension 305. Please refer to report number A-09-13-02016 in all correspondence. Thank you for your attention to this matter.

Sincerely,

For 

Lori A. Ahlstrand
Regional Inspector General
for Audit Services