

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-06 Medicare Financial Management	Centers for Medicare & Medicaid Services (CMS)
Transmittal 103	Date: JULY 21, 2006
	Change Request 5234

SUBJECT: Internal Control Requirement Update

I. SUMMARY OF CHANGES: The CMS is required to change the Certification Package for Internal Controls due date to July 24, 2006, to comply with the Department of Health and Human Services reporting guidelines.

NEW / REVISED MATERIAL

EFFECTIVE DATE: *July 24, 2006

IMPLEMENTATION DATE: July 24, 2006

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	Chapter / Section / Subsection / Title
R	7/30/30.1/ Requirements
R	7/30/30.2/Certification Statement

III. FUNDING:

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.

IV. ATTACHMENTS:

**Business Requirements
Manual Instruction**

**Unless otherwise specified, the effective date is the date of service.*

Attachment – Business Requirement

Pub. 100-06	Transmittal: 103	Date: July 21, 2006	Change Request 5234
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SUBJECT: Internal Control Requirements Update

I. GENERAL INFORMATION

A. Emergency Release: The CMS released CR 4334 on April 28, 2006. Requirement 4334.4 had a due date of August 1, 2006, for the Certification Package for Internal Controls (CPIC). To comply with the Department of Health & Human Services (DHHS) reporting guidelines, the CMS is required to change the CPIC due date to July 24, 2006 because the CMS statement of assurance - based in part on the CPIC - is due to DHHS July 31, 2006 and it includes a statement of assurance from the Medicare contractors.

B. Background & Policy: The CMS contract with its Medicare contractors includes an article titled FMFIA. In this article, the Medicare contractor agrees to cooperate with CMS in the development of procedures permitting CMS to comply with FMFIA and other related standards prescribed by the Comptroller General of the United States. Under various provisions of the Social Security Act, Medicare contractors are to be evaluated by CMS on administrative service performance. The CMS evaluates Medicare contractor’s performance by various internal and external reviews and audits.

II. BUSINESS REQUIREMENTS

“Shall” denotes a mandatory requirement

“Should” denotes an optional requirement

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
					F I S S	M C S	V M S	C W F		
5234.1	Medicare contractors shall submit all electronic CPIC Reports on or before July 24, 2006. The CPIC Reporting period is September 1, 2005 through June 30, 2006. See Publication 100-06, Medicare Financial Management Manual, Chapter 7, section 30 for detailed guidelines.	X	X	X	X					

III. PROVIDER EDUCATION

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)
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		F I	R H H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
	None.									

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date*: July 24, 2006</p> <p>Implementation Date: July 24, 2006</p> <p>Pre-Implementation Contact(s): Ellen L. McNeill, 410-786-7911 or Paul Konka, 410-786-7842.</p> <p>Post-Implementation Contact(s): Same</p>	<p>No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.</p>
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30.1 – Requirements

(Rev.103, Issued: 07-21-06, Effective: 07-24-06, Implementation: 07-24-06)

The Medicare contractor self-certification process provides CMS with assurance that contractors are in compliance with the FMFIA and CFO Act of 1990 by incorporating internal control standards into their operations. The Medicare contractor self-certification process supports the audit of CMS' financial statements by the Office of Inspector General (OIG) and the CMS Administrator's FMFIA assurance statement.

This compliance is achieved by self-certification statement has been known as a CPIC. Through these self-certification statements, CMS has required each Medicare contractor to provide assurances that internal controls are in place and to identify and correct any areas of weakness in its operations. Medicare contractors are expected to evaluate the effectiveness of their operations against CMS' control objectives discussed above. The control objectives represent the minimum expectations for contractor performance in the area of internal controls.

Medicare contractors shall have written policies and procedures regarding their overall CPIC process and the preparation of the annual CPIC submission. They shall also have written policies and procedures that discuss the handling of potential internal control deficiencies identified by employees and managers in the course of their daily operations. This should include the process for reporting issues upward through the appropriate levels of management, tracking them to completion of any necessary corrective actions, and considering them for inclusion in the CPIC submission.

The CPIC represents a summary of your internal control environment for the period September 1, 2005 through June 30, 2006 (the CPIC period), as certified by your organization. It should include an explicit conclusion as to whether the internal controls over financial reporting are effective. All findings (material weaknesses) that were identified during this period shall be included in the CPIC submission. You should consider the results of final reports issued from internal and external audits and reviews, such as GAO and OIG audits as well as CFO Act audits, consultant reviews, management control reviews, CPE engagements, SAS 70 audits, and other similar activities. These findings should be disclosed as material weaknesses or reportable conditions based upon the definitions provided in section 30.6. Medicare contractors shall submit an update for the period July 1 through September 30 to report subsequently identified material weaknesses. The update shall be no more than a one page summary of the material weakness and the proposed corrective action. A CAP shall be completed in accordance to the guidelines shown at section 40.1. If no additional material weaknesses have been identified, submit the following: “No material weaknesses have been identified during the period July 1 through September 30, 2006; therefore no additional material weaknesses have been reported”. Send the update report from the VP or CFO email box to internalcontrol@cms.hhs.gov by October 5.

Electronic CPIC reports should be received by CMS on or before *July 24, 2006*. The Medicare contractor is not required to submit a hard copy report if it has the capability to

insert electronic signatures. Where applicable, the CPIC hard copy report should be post marked on or before *July 24, 2006*. The CPIC shall include:

- A Certification Statement (including an assurance statement on the effectiveness of internal controls over financial reporting as of June 30, 2006;
- An Executive Summary;
- A description of your risk assessment process. This should include a matrix to illustrate the prioritization of risk and exposure factors and a narrative or flowchart that outlines the risk assessment process (see section 20.1 for more details regarding the risk assessment), and
- A CPIC Report of Material Weaknesses.

Note: A hardcopy of the CPIC package is not required, if the Medicare contractor has electronic signature capability. If electronic signature capability is not available, please send the hardcopies to:

Chief Financial Officer
Office of Financial Management
Attn: Accounting Management Group, N3-11-17
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244-1850

An electronic version of all documents submitted as part of your CPIC submission shall be sent to CMS at internalcontrols@cms.hhs.gov as Microsoft Excel or Word files. Electronic copies should also be sent to your Associate Regional Administrator for Financial Management, your CFO/SAS 70 Coordinator, your Consortium Contractor Management Officer (CCMO), and Contract Manager. The file names for all electronic files submitted, as part of your CPIC package should begin with the three or four letter abbreviation assigned to each Medicare contractor in section 40.3. Additionally, in the subject line of your email submission, you shall include the corporate name of the entity submitting the CPIC.

Maintain the appropriate and necessary documents to support any assertions and conclusions made during the self-assessment process. In your working papers, you are required to document the respective policies and procedures for each control objective reviewed. These policies and procedures should be in writing, be updated to reflect any changes in operations, and be operating effectively and efficiently within your organization.

The supporting documentation and rationale for your certification statement, whether prepared internally or by an external organization, shall be available for review and copying by CMS and its authorized representatives.

30.2 - Certification Statement

(Rev.103, Issued: 07-21-06, Effective: 07-24-06, Implementation: 07-24-06)

Provide a certification statement to CMS pertaining to your internal controls. Listed below is a generic certification statement. This statement should be included as part of your CPIC. The statement is to be signed jointly by your Medicare CFO and Vice President (VP) for Medicare. The CPIC is due *July 24, 2006*, and shall cover the period from September 1, 2005 through June 30, 2006.

Your certification statement should follow this outline:

Chief Financial Officer
Office of Financial Management
Attn: Accounting Management Group, N3-11-17
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244-1850

Dear Chief Financial Officer:

As (Medicare Chief Financial Officer and Vice President for Medicare) of (contractor name), we are writing to provide certification of reasonable assurance for the period September 1, 2005, through June 30, 2006 that (contractor name) internal controls are in compliance with the Federal Managers' Financial Integrity Act (FMFIA) and Chief Financial Officers (CFO) Act by incorporating internal control standards into our operations. We are also providing certification of reasonable assurance that (contractor name) has effective internal controls over financial reporting in compliance with revised OMB Circular A-123.

We are cognizant of the importance of internal controls. We have taken the necessary actions to assure that an evaluation of the system of internal controls and the inherent risks have been conducted and documented in a conscientious and thorough manner. Accordingly, we have included an assessment and testing of the programmatic, administrative, and financial controls for the Medicare program operations.

In the enclosures to this letter, we have provided an executive summary that identifies a list of the minimum requirements. See section 30.3 Executive Summary for the list of minimum requirements to be provided in your CPIC.

If material weaknesses have been identified, use the following language: "Material weaknesses have been reported to you and the appropriate regional office. The respective

Corrective Action Plans have been forwarded to your office." If no material weaknesses were identified, use the following language: "No material weaknesses have been identified during our review; therefore no material weaknesses have been reported." We have also included a description of our risk assessment analysis and our CPIC Report of Material Weaknesses. This letter and its attachments summarize the results of our review.

We also understand that officials from the Centers for Medicare & Medicaid Services, Office of Inspector General, Government Accountability Office, or any other appropriate Government agency have authority to request and review the working papers from our evaluation.

Sincerely,

(Medicare Chief Financial Officer Signature)

(Vice President for Medicare Signature)