



WEST VIRGINIA DEPARTMENT OF
**HUMAN
SERVICES**

**PERFORMANCE EVALUATION AUDIT
OBSERVATIONS AND RECOMMENDATIONS**



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Executive Summary

The West Virginia Department of Human Services (DoHS or the Department) is responsible for delivering essential services to residents throughout the State, providing access to critical health care, essential social services and benefits, and trusted information, with an emphasis on vulnerable populations. In hopes of enhancing operational efficiency, achieving cost savings, and improving service outcomes, the Office of the Governor commissioned BDO to conduct a comprehensive performance evaluation audit of DoHS's operations, processes, and systems.

This report presents key observations and recommendations resulting from the audit. The analysis identifies areas in which existing processes, policies, and technologies may limit the effectiveness of DoHS or present opportunities for fiscal improvement. Certain issues identified will require substantial investment of time and resources to resolve, while others may be addressed through targeted adjustments to policies and procedures with minimal or no upfront cost.

Implementation of the recommended improvements has the potential to generate annual savings of up to \$68.6 million* for the State of West Virginia. For clarity and focus, the findings are organized into four principal categories:

I. FISCAL DISCIPLINE AND COST CONTAINMENT

Total Potential Savings: \$35.3 million

Opportunities to reduce expenditures through improved workflows, enhanced oversight, and strengthened financial controls.

II. PATH SYSTEM LIMITATIONS

Total Potential Savings: \$18.5 million

Identification of technology constraints that impede automation and operational efficiency within the People's Access to Help (PATH) system.

III. MEDICAID BILLING AND REIMBURSEMENT

Total Potential Savings: \$12.5 million

Strategies to reduce Medicaid costs by refining payment policies and implementing more proactive disenrollment procedures.

IV. ORGANIZATIONAL OVERLAP AND INEFFICIENCY

Total Potential Savings: \$2.2 million

Recommendations to simplify and streamline administrative functions, particularly in areas where DoHS collaborates with other State agencies.

*The \$68.6M total savings figure is a combination of all items identified throughout this report and does not sum to the total presented in the four principal categories displayed due to rounding.

Executive Summary (Continued)

The findings summarized on this page represent the principal operational issues identified through BDO's assessment. Each finding outlines a distinct challenge affecting departmental performance and is examined in greater detail in the pages that follow.

I. Fiscal Discipline and Cost Containment

- ▶ **FINDING 1: Reliance on Out-of-State Residential Service Providers** – West Virginia's limited in-state capacity to treat high-acuity clients has resulted in a substantial reliance on out-of-state residential facilities.
- ▶ **FINDING 2: Decentralized Grant Management Processes** – DoHS currently utilizes predominantly manual and decentralized processes for grant management. This approach has resulted in operational inefficiencies, limited visibility into program performance, and increased financial risk due to potential improper payments.
- ▶ **FINDING 3: Ineffective Payment Controls and Receivables Management** – Weaknesses in financial controls and misalignment between the State's PATH system and Medicaid billing processes have resulted in significant State-funded overpayments that could have been prevented or federally reimbursed through proper claiming and provider billing practices.
- ▶ **FINDING 4: Postage Costs** – DoHS could achieve estimated annual savings of \$1.3 million in postage costs by revising document retention policies and increasing the adoption of Automated Clearing House (ACH) payments for providers and family members.
- ▶ **FINDING 5: Weak Oversight of Contracted Services** – Limited oversight and documentation of contracted activities increase both financial and compliance risk, underscoring the need for stronger controls and standardized procedures.

II. PATH System Limitations

- ▶ **FINDING 6: Mainframe Dependency and Modernization Needs** – DoHS relies on an outdated mainframe to operate critical programs and services, resulting in high costs and significant barriers to modernization.
 - ▶ **FINDING 7: PATH System Performance and Reliability** – Persistent challenges with PATH's performance and reliability have adversely affected daily operations and reduced productivity across DoHS programs.
 - ▶ **FINDING 8: Manual Benefits Eligibility Process** – West Virginia's benefits eligibility process is predominantly manual and reliant on legacy systems with limited automation.
 - ▶ **FINDING 9: Administrative Burden in Case Documentation** – Extensive documentation and data-entry requirements significantly limit the capacity of Bureau for Social Services (BSS) staff to focus on core casework.
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Executive Summary (Continued)

III. Medicaid Billing and Reimbursement

- ▶ **FINDING 10: Missed Medicaid Reimbursement Opportunities** – DoHS continues to incur full-price expenditures for services that could be reimbursed at significantly lower rates if providers enrolled in, and submitted claims through, Medicaid.
- ▶ **FINDING 11: Fragmented Medicaid Eligibility Oversight** – Deficiencies in data sharing and eligibility coordination result in delayed Medicaid disenrollments and avoidable capitation payments.

IV. Reduce Redundancies

- ▶ **FINDING 12: Bureau for Family Assistance (BFA) and BSS Offices & Storage Facilities** – DoHS could realize savings by consolidating and optimizing office and storage facilities.
- ▶ **FINDING 13: Fragmented Oversight of Human Resources** – Overlapping responsibilities between the Office of Shared Administration (OSA) and the Division of Personnel have resulted in inefficiencies and unclear ownership of administrative processes.
- ▶ **FINDING 14: Financial Operations and Procurement** – Department's purchasing and payment processes are highly fragmented and administratively burdensome.

V. FINDING 15: Miscellaneous Additional Focus Areas – Additional opportunities for enhancement were identified that may support DoHS in improving efficiency or outcomes but were not significant or verifiable enough to merit dedicated sections or detailed cost analysis. These items are discussed beginning on page 58.

Executive Summary (Continued)

ID	Finding Description	Estimated Level of Investment Required to Correct	Estimated Time to Fix	Estimated Personnel Cost Savings/ Revenue	Estimated Other Than Personnel Cost Savings/ Revenue	TOTAL Estimated Annual Cost Savings/ Revenue
1	Reducing Reliance on Out-of-state Providers	High	3-5 years	-	\$25,000,000	\$25,000,000
2	Decentralized Grant Management Processes	Low	1-2 years	-	\$6,600,000	\$6,600,000
3	Ineffective Payment Controls and Receivables Management	Low	1 year	\$550,000	\$1,760,000	\$2,310,000
4	Postage Costs	Low	1 year	-	\$1,300,000	\$1,300,000
5	Weak Oversight of Contracted Services	Low	1 year	-	\$125,000	\$125,000
6	Mainframe Dependency and Modernization Needs	Medium	2 years	-	\$7,200,000	\$7,200,000
7	PATH System Performance and Reliability	High	1-5 years	\$2,300,000	-	\$2,300,000
8	Manual Benefits Eligibility Process	High	2-5 years	\$6,000,000	-	\$6,000,000
9	Administrative Burden in Case Documentation	High	2-5 years	\$3,000,000	-	\$3,000,000
10	Missed Medicaid Reimbursement Opportunities	Low	<1 year	-	\$7,900,000	\$7,900,000
11	Fragmented Medicaid Eligibility Oversight	Low	6-9 months	-	\$4,620,000	\$4,620,000
12	BFA and BSS Offices and Storage Facilities	Low	1-3 years	-	\$1,300,000	\$1,300,000
13	Fragmented Oversight of Human Resources	Low	1 year	-	\$900,000	\$900,000
14	Financial Operations and Procurement	Low	1 year	-	\$40,000	\$40,000
Total				\$11,850,000	\$56,745,000	\$68,600,000

Approach

BDO conducted a performance evaluation audit of DoHS to identify opportunities for operational efficiency, cost savings, and improved service delivery across key functional areas. The audit utilized both qualitative and quantitative methodologies to assess current processes, systems, and organizational structures within the Department and its Bureaus.

The approach was structured in the following phases:

- ▶ **Objective Definition:** Audit objectives, key questions, and scope were established in coordination with the Office of the Governor and DoHS leadership.
- ▶ **Focus Area Identification:** Key areas for review were selected based on expenditure magnitude, strategic importance, and potential operational risk. These included technology and systems, finance and payments, client and case services, workforce, and facilities.
- ▶ **Document Review:** Relevant documents, such as budgets, organizational charts, and prior reviews, were examined to inform the analysis.
- ▶ **Stakeholder Interviews:** Fifty-eight staff members were interviewed, including commissioners for each Bureau and numerous managers, to gain insights into operational practices and challenges.
- ▶ **Data Analysis:** Interview findings, financial data, and other relevant information were analyzed to estimate the potential cost savings associated with identified operational changes.

It is important to note that, while every effort was made to source all quantitative data from the State's financial management system or official records, the audit team observed that the quality of DoHS data is inconsistent. Staff frequently rely on spreadsheets and other unofficial systems for operational tracking and reporting. For purposes of this report, all estimated savings are based on average annual expenses and represented as the cost if such activities were not present for a full year. Cost savings are assumed to reflect annualized cost avoidance, though adjustments have not been made for assumptions in inflationary conditions over time (e.g., salary and benefit cost increases, etc.). To the extent savings would be a one-time only event (e.g., asset sale), that should be explicitly stated. Personnel costs are reflected as salary and fringe benefits (based on the State's average fringe benefit rate).

While certain elements of this audit focus on specific Bureaus within DoHS where issues were most pronounced, the underlying operational challenges and process inefficiencies identified may be present across multiple Bureaus. Accordingly, the findings and recommendations should be considered broadly applicable to any Bureau engaged in similar activities. Follow-up studies or expanded reviews may reveal additional opportunities for cost savings and operational improvements if such issues are found to be pervasive throughout the Department.

Acknowledgements

BDO would like to acknowledge Alex Mayer, Secretary of Human Services, and the entire team within the Department of Human Services for their participation and candor throughout this process. Human Services staff provided information and enhanced clarity regarding processes through our discussions and information requests, all toward the common goal of improving the efficiency of operations and ultimately enhancing the quality of services provided to citizens of West Virginia.

Throughout this assessment, Secretary Mayer and the Department's leadership team were actively engaged and provided critical access, context, and insight that informed the analysis. Many of the improvement opportunities described in this report were discussed collaboratively during the course of the engagement, and several align with initiatives the Department has already begun to explore. The Department's cooperation and openness were essential to completing this assessment, and continued leadership engagement will be critical to advancing the improvements identified.

Findings and Considerations

I. FISCAL DISCIPLINE AND COST CONTAINMENT

Findings and Considerations

FINDING 1: REDUCING RELIANCE ON OUT-OF-STATE PROVIDERS

BACKGROUND

West Virginia's limited in-state capacity to treat high-acuity clients has resulted in a substantial reliance on out-of-state residential facilities.

This dependence imposes financial strain, creates oversight challenges, and introduces potential risks to the quality of care. High-acuity clients—both children and adults—require intensive behavioral health, psychiatric, developmental, or therapeutic interventions that cannot be accommodated within traditional foster care, community-based treatment programs, or standard residential facilities. Such placements typically necessitate 24-hour supervision, secure environments, clinical staff with specialized credentials, and the capacity to address aggressive, suicidal, self-harm, or complex medical and behavioral needs. Consequently, as of September 2025, DoHS has placed 534 children in out-of-state residential treatment centers, psychiatric facilities, or behavioral health institutions—a 17% increase from the prior year—and estimated to be roughly twice as expensive as in-state treatment facilities. These placements cost \$54.8 million in fiscal year (FY) 2025, representing a 20% rise in spending from FY2024.

West Virginia is not unique in facing these challenges. A 2024 review conducted by the U.S. Department of Health and Human Services' Office of Inspector General found that at least 32 states and the District of Columbia regularly send high-acuity youth out-of-state due to limited in-state capacity.¹ States such as Montana, Illinois, and Oklahoma report similar pressures, including inadequate bed availability in high-acuity facilities, shortages of qualified clinical staff, increasing placement denials from in-state providers, and provider reluctance to accept high-need individuals due to liability and safety concerns.

Recent federal investigations have revealed that out-of-state placements expose youth to heightened safety and oversight risks. In 2024, the U.S. Government Accountability Office (GAO) reported multiple instances of physical abuse, neglect, improper restraint and seclusion practices, and inappropriate use of psychotropic medications in residential facilities nationwide.² Further increasing the risk to the State, due to contractual agreements with out-of-state providers, West Virginia cannot conduct unannounced inspections and must depend on other states' licensing agencies for incident reporting, resulting in limited real-time visibility into the quality of care provided.

Findings and Considerations

FINDING 1: REDUCING RELIANCE ON OUT-OF-STATE PROVIDERS

ESTIMATED IMPACT

West Virginia's current approach to high-acuity care is financially unsustainable and operationally fragile. In FY2025, the State expended \$54.8 million on out-of-state placements—a 20% increase over FY2024's \$45.6 million, and an 84% increase compared to FY2023's \$29.8 million. This growth reflects a significant rise in the number of children placed out-of-state and higher provider costs.

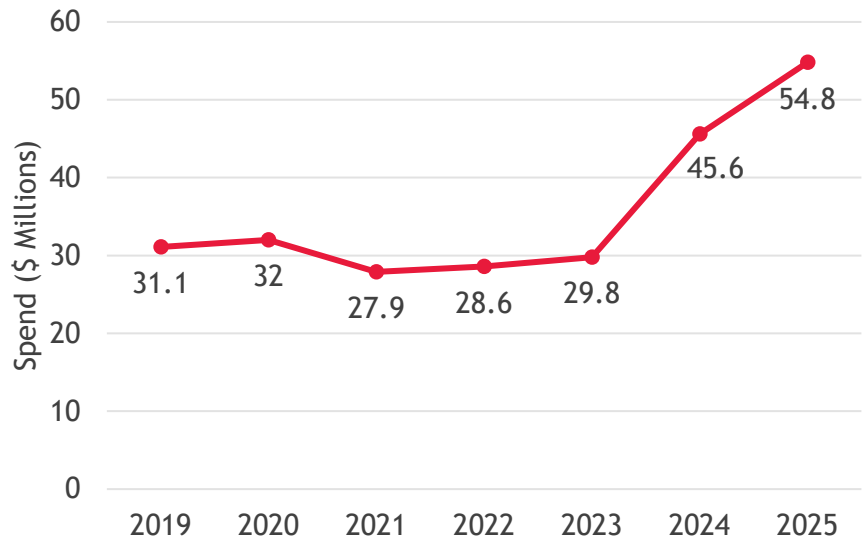
If this trend continues, out-of-state placement costs could exceed \$65 million annually within the next two fiscal years.

Out-of-state placements fall under the responsibility of BSS, which oversees services such as Child Protective Services, Foster Care, and Residential Care. However, the impact reaches far beyond BSS, affecting hundreds of West Virginia youth who are sent far from their families, schools, and communities, often with minimal visibility into the care they receive. This situation can create long-term downstream costs in other areas of DoHS operations such as education, juvenile justice involvement, homelessness, and adult behavioral health services.

Other states provide insight into national trends:

- ▶ Illinois experienced a 148.6% increase in out-of-state placements from 2022 to 2024, despite investing in new treatment contracts.³
- ▶ Montana spent \$17 million on out-of-state care in FY2025 for 263 youth, with persistent high numbers due to provider refusal, liability concerns, and workforce shortages.⁴
- ▶ Oklahoma spent over \$5 million in 2023 to send 49 children out-of-state, prompting lawmakers to approve a \$140 million state-operated facility to address escalating costs and risks.⁵

Exhibit 1: WV Out-of-State Placement Spend: FY2019-2025



Findings and Considerations

FINDING 1: REDUCING RELIANCE ON OUT-OF-STATE PROVIDERS

POTENTIAL CONSIDERATIONS

In response to the increasing financial and operational challenges associated with out-of-state placements for high-acuity individuals, the State should evaluate strategic options to enhance in-state service capacity and ensure the provision of high-quality care:

OPTION	DESCRIPTION
OPTION 1: Expand In-State Private Provider Capacity	Enter into contractual agreements or provide targeted incentives to existing West Virginia providers to expand the availability of high-acuity treatment beds.
OPTION 2: Develop a State-Operated High-Acuity Facility	Develop and operate a secure residential facility specifically designed to serve high-acuity youth within West Virginia.
OPTION 3: Establish Service Rates	Negotiate with providers on set rates for services.
OPTION 4: Create Inter-state Joint Facility	Lead an effort to coordinate with other states to create a joint operated facility.

OPTION 1: Expand In-State Private Provider Capacity

The State may consider the use of grants, contracts, and subsidies as mechanisms to incentivize in-state providers to retain high-acuity youth within the State. Despite ongoing efforts by departmental leadership to engage local providers, participation has remained limited. This reluctance is primarily attributable to insufficient facilities and resources required to support high-acuity populations, as well as concerns regarding liability exposure.

Recent experience in Montana underscores the challenges associated with this strategy; a comparable initiative resulted in only five therapeutic group homes and one psychiatric residential treatment facility agreeing to participate.⁶ DoHS has encountered particular difficulty in motivating in-state providers to establish the requisite infrastructure and support necessary to serve high-acuity youth. Additionally, attracting out-of-state providers to establish operations within West Virginia remains a significant challenge, particularly when foundational infrastructure and support systems are not yet established.

Findings and Considerations

FINDING 1: REDUCING RELIANCE ON OUT-OF-STATE PROVIDERS

OPTION 2: Develop a State-Operated High-Acuity Facility

West Virginia has the opportunity to address the increasing demand for high-acuity behavioral health services through the establishment of a State-operated facility. The development of such a facility would enable the State to retain individuals within (or nearby) their communities, reduce reliance on out-of-state placements, and potentially generate revenue by serving children from neighboring jurisdictions.

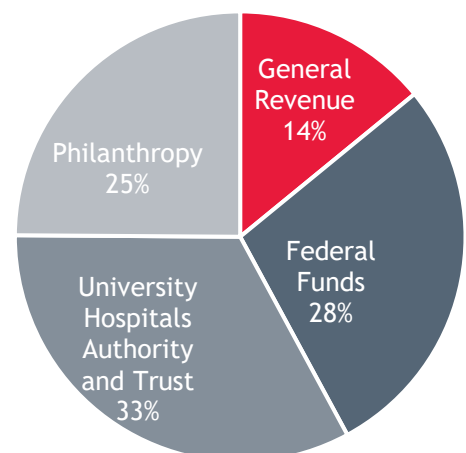
Recent experiences in other states illustrate both the challenges and potential solutions associated with expanding in-state capacity. For example, Oklahoma encountered similar issues and determined that appeal of the financial incentives for existing providers was lacking, with only 10 percent of allocated incentives claimed in 2022.⁷ In response, Oklahoma made substantial investments in new facilities, provider payment rates, and workforce development.⁸ Community resources, including public schools and special education programs, frequently remain underfunded and understaffed, further complicating efforts to deliver consistent, preventive care.⁷

To address these gaps, Oklahoma's legislature allocated hundreds of millions of dollars to new facilities, increased provider payment rates, and enhanced workforce development initiatives. A \$140 million youth behavioral health hospital is scheduled to open in Oklahoma City under the Oklahoma University Health umbrella in 2026, providing 72 beds and a range of inpatient and outpatient services. This facility will prioritize retaining youth in-state, expanding access to care, connecting with programs for children with developmental disabilities, and supporting provider training.⁹ The initiative is expected to reduce out-of-state expenditures and create new employment opportunities. However, risks remain, including the possibility that 72 beds may not meet statewide needs, substantial initial construction and operating costs, and the ongoing challenge of recruiting and retaining qualified staff.

The development of the facility was led by OU Health in collaboration with the University Hospitals Authority and Trust. Funding sources for the project included \$19.8 million from Oklahoma's general revenue fund, \$39.4 million in federal pandemic relief funds allocated by state lawmakers through the American Rescue Plan Act (ARPA), and additional contributions from philanthropic fundraising.⁹

Establishing a state-operated facility would enable West Virginia to address existing service gaps for high-acuity youth, achieve long-term cost reductions, and improve outcomes by maintaining youth within their communities. Furthermore, this initiative has the potential to position West Virginia as a regional leader in the provision of youth behavioral health services.

Exhibit 2: Distribution of Funding for Oklahoma High-Acuity Facility



Findings and Considerations

FINDING 1: REDUCING RELIANCE ON OUT-OF-STATE PROVIDERS

OPTION 3: Establish Service Rates

DoHS could seek to control the cost of services for high-acuity children by establishing set rates, such as limiting payments to the allowable Medicaid rate. This strategy aligns with the approach adopted by state legislators in Senate Bill 128, which restricts courts from ordering DoHS to pay for adult services at rates exceeding Medicaid or those set by DoHS (Senate Bill 128 is discussed in detail in a separate section of this report).

However, DoHS has determined that this approach is unlikely to be as effective for services provided to high-acuity children. Out-of-state facilities are generally unwilling to enroll in West Virginia's Medicaid program, and it is unlikely they would agree to rates below those they establish themselves due to demand and availability for such services. If DoHS were to refuse to pay the rates charged by these facilities, it is likely that the facilities would decline to serve DoHS's clients.

While this is DoHS's assessment, other states—such as Kentucky—require all providers, including out-of-state ones, to enroll in their Medicaid program.¹⁰ Kentucky's Out of Home Care (OOHC) branch of the Cabinet for Health and Family Services publishes data showing an estimated cost of \$63,000 for the average child.¹¹ In comparison, WV spent approximately \$142,000 on care for out-of-state children.¹²

Although Kentucky's approach has been more cost-effective, it is not without challenges. Kentucky has struggled to secure adequate placements for children, which has at times resulted in children being housed in state-owned office buildings.¹³ Additionally, Kentucky has a lower rate of children placed in foster homes and a larger overall population. Approximately 0.86% of children under 18 in Kentucky are in foster care, compared to 1.7% in West Virginia. Furthermore, Kentucky's population is about 275% greater than West Virginia's. These factors suggest that Kentucky may have greater leverage in negotiating rates with out-of-state providers, as it is less reliant on them.

If DoHS were to establish payment rates, it is likely that some current providers would refuse to accept clients. DoHS would need to carefully weigh the potential cost savings from reduced provider payments against the risk of insufficient provider capacity to care for high-acuity children.

OPTION 4: Create Inter-state Joint Facility or Inter-state Service Rates

Finding providers for high-acuity individuals is a challenge many states have faced. Currently, efforts to control the costs have largely been isolated within individual states. There is an opportunity for DoHS to lead an inter-state coalition for funding a cross-state facility. That said, this approach would be challenging and untested. There is no existing model of such a facility. In addition, there would be many challenges to overcome, such as establishing legal jurisdiction, licensing and oversight, and determining how much state specific funding streams could be used on such a facility.

Findings and Considerations

FINDING 1: REDUCING RELIANCE ON OUT-OF-STATE PROVIDERS

IMPLEMENTATION

West Virginia is at a critical juncture regarding its reliance on out-of-state placements for high-acuity individuals. Four principal strategies have been identified to address this challenge.

OPTION 1: Expanding in-state private provider capacity is less capital-intensive and may be implemented more rapidly than constructing a new, state-operated facility. However, evidence from other states, such as Montana, indicates that financial incentives alone may not result in significant expansion, as providers frequently encounter barriers related to infrastructure, workforce availability, and liability concerns. In the context of West Virginia, pairing financial incentives with targeted support for training, staffing, and risk mitigation may be necessary. It is anticipated that some reliance on out-of-state placements may persist for the most complex cases under this approach.

OPTION 2: Developing a State-operated high-acuity facility represents a comprehensive solution but requires substantial investment and long-term strategic planning. For example, Oklahoma's recent experience with the construction of a youth behavioral health hospital, at a cost of \$100-\$150 million, demonstrates a potential model for funding and partnership, including the use of State and federal funds, collaboration with universities and healthcare providers, and philanthropic contributions. While the initial capital requirements are significant, transitioning placements in-state could result in long-term cost savings, enhanced oversight, and the potential to generate additional revenue by serving youth from neighboring states. Institutions such as West Virginia University or Marshall University could provide funding, clinical expertise, and workforce development support.

OPTION 3: Establishing service rates requires no capital and could be implemented the fastest of all three options. However, DoHS has already deemed it unlikely to be successful. Kentucky, a neighboring state, does require out-of-state providers to accept Kentucky Medicaid. However, Kentucky has nearly triple the population of West Virginia, and lower rates of children in foster homes. As such, while this approach may reduce costs, it may lead to less providers willing to take children from West Virginia. This could result in more children being placed in unsuitable settings due to lack of providers willing to accept lower rates.

OPTION 4: While it would be logistically complex and untested, a multi-state joint run facility could be a way for DoHS to lead the nation on this issue and spread the cost of building a new facility.

Findings and Considerations

FINDING 1: REDUCING RELIANCE ON OUT-OF-STATE PROVIDERS

IMPLEMENTATION - CONTINUED

Recommended next steps include:

- ▶ Engaging key stakeholders to solicit input and build consensus regarding needs and priorities.
- ▶ Conducting a comprehensive feasibility assessment to compare the costs, benefits, and operational requirements associated with each option.
- ▶ Exploring funding opportunities through State appropriations, university partnerships, and philanthropic sources.

Notably, while all these solutions would save the state money compared to the status quo, the exact amount saved is unclear. The upfront costs for options one, two, and four would be substantial. While option three would reduce the rates paid to providers, it may not reduce overall costs as DoHS may need to pay for alternate accommodations (such as hotel rooms), additional staffing, or other unsatisfactory workarounds, due to a lack of providers willing to accept a State-mandated rate.

Currently, in-state placements cost about half of out-of-state placements. This suggests that, at the top end, DoHS could save up to \$25 million per year if all out-of-state placements were brought in state. However, the State is unlikely to receive this level of savings purely from moving placements in-state. One reason in-state placement cost less is that in-state providers are providing different services to different populations. All else being equal, the services that are being provided in-state are less costly than those being provided out-of-state.

However, if providers were located in-state, DoHS may have more leverage for requiring them to enroll in West Virginia Medicaid, which could produce significant savings. This report uses a maximum estimate of \$25 million as a place holder for potential savings to indicate both the high-cost burden this places on DoHS and the potential of future savings. A more detailed analysis of each option would be required to produce an accurate cost savings measure (and associated estimate of upfront costs and/or ongoing investment required).

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
HIGH	3-5 YEARS	\$0	\$25 MILLION	\$25 MILLION

Findings and Considerations

FINDING 2: DECENTRALIZED GRANT MANAGEMENT PROCESSES

BACKGROUND

DoHS currently utilizes predominantly manual and decentralized processes for grant management. This approach has resulted in operational inefficiencies, limited visibility into program performance, and increased financial risk due to potential improper payments.

DoHS administers a substantial portfolio of State and federally-funded grants that support community programs across its various Bureaus. Subrecipients of federal grants are paid on a reimbursement basis as preferred under federal regulations. Recipients of State funded grants are more commonly paid in advance, which adds an additional layer of risk and exposure to the State as advance payments are inherently riskier for the grantmaker than a reimbursement method.

State funded grantees receive 12 equal monthly payments. They are required to submit quarterly programmatic and financial grants. In theory, DoHS staff review these reports and then determine if monthly payments should continue or if risks are present that necessitate changing to a reimbursement model.

In practice, DoHS does not have adequate systems for reviewing reports in a timely matter. To avoid penalizing the grantees, DoHS continues to pay them while their quarterly reports are reviewed. As such, grantees may be out of compliance while still receiving payments because staff have not adequately reviewed their reports (or reports have not yet come due). In addition, the level of review DoHS does perform is limited by the same system and resource challenges.

Furthermore, at present, there is no centralized system for tracking performance, verifying deliverables, or linking financial data to program outcomes. As a result, oversight is highly dependent on individual staff capacity, and documentation of monitoring activities remains inconsistent.

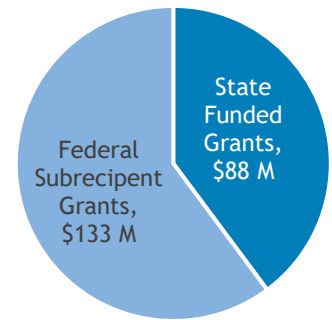
Findings and Considerations

FINDING 2: DECENTRALIZED GRANT MANAGEMENT PROCESSES

ESTIMATED IMPACT

These manual and advance-based processes increase both financial and programmatic risk. In the absence of standardized procedures or automated controls, it is challenging to verify that payments are consistent with allowable costs or that funded programs achieve their intended outcomes. A 2024 publication from the U.S. GAO found that 3%-7% of payments to federal grant recipients in any given fiscal year are improper.¹⁴ In FY2025, DoHS reported \$221 million in grant expenditures, including \$88 million funded by State dollars and \$133 million from federal sources.

**Exhibit 3:
Grant Disbursements**



Applying GAO’s estimated improper payment rate to DoHS’s grant portfolio suggests an annual financial exposure between \$6.6 million and \$15.9 million. Approximately one-third of this amount is associated with grants directly funded by State dollars, which could result in instant budgetary savings if recovered (or prevented).

The following table provides a breakdown of this exposure.

SOURCE	DISBURSEMENTS	LOW ESTIMATE (IMPROPER PAYMENTS)	HIGH ESTIMATE (IMPROPER PAYMENTS)
State	\$88M	\$2.6M	\$6.6M
Federal*	\$133M	\$4M	\$9.3M
TOTAL	\$221M	\$6.6M	\$15.9M

Beyond compliance considerations, the current grant management structure limits the strategic allocation of funding. Awards are frequently made on a noncompetitive, renewal basis, and performance monitoring tends to emphasize expenditure of funds rather than achievement of program outcomes. Transitioning to a reimbursement-based and performance-driven model, supported by clear procedures and metrics, would enable DoHS to reduce financial risk, enhance accountability, and ensure that resources are directed to the highest-impact programs.

*Any identification and recovery of funds originating from a federal grant would need to be disclosed to the federal sponsor and the State would need to coordinate on whether such funds could be reallocated for other uses, meaning they may not present actual savings to State budget. For purposes of this report, only the State-funded grant savings are included in our total cost savings estimate.

Findings and Considerations

FINDING 2: DECENTRALIZED GRANT MANAGEMENT PROCESSES

POTENTIAL CONSIDERATIONS

Addressing gaps in grants management will require both systems and process improvements. Key areas for strengthening include enhancing financial controls, improving data visibility, and promoting consistent practices across all Bureaus.

CATEGORY	CONSIDERATION
Advance Payment Controls	Review and reconcile outstanding advances; transition to reimbursement-based funding where feasible. For necessary advances, establish clear timelines and require periodic, performance-based reporting to enhance accountability.
Competitive Granting	Introduce a competitive grant cycle that incorporates both performance history and demonstrated community need, promoting the strategic allocation of resources.
Financial Controls	Strengthen alignment between programmatic and fiscal reporting to ensure that financial data accurately reflects program activities and outcomes.
Performance Monitoring	Implement a framework for evaluating both fiscal and programmatic results, and foster a culture focused on outcomes rather than spend-down

IMPLEMENTATION

A comprehensive review of existing grant management policies and procedures and grants management systems is essential to identify gaps and areas for improvement. Establishing clear, Department wide, standardized guidelines for grant review, monitoring, and evaluation will help ensure consistency and accountability across all Bureaus. In addition, an improved grants management system will make it less time consuming for DoHS staff to provide proper oversight. After completing this review and determining the desired path forward (i.e., technology investment and/or process redesign), DoHS can establish the proper level of staffing needed for oversight.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
LOW	1-2 years	\$0	\$6.6 MILLION	\$6.6 MILLION

Findings and Considerations

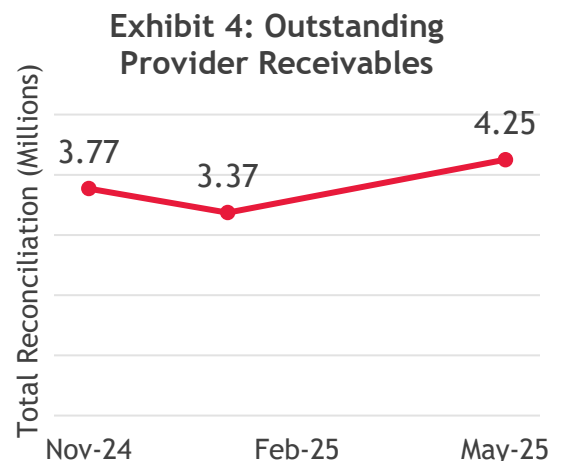
FINDING 3: INEFFECTIVE PAYMENT CONTROLS AND RECEIVABLES MANAGEMENT

BACKGROUND

Weaknesses in financial controls and misalignment between the State’s PATH system and Medicaid billing processes have resulted in significant State-funded overpayments that could have been prevented or federally reimbursed through proper claiming and provider billing practices.

BSS faces ongoing challenges in both preventing and recovering overpayments to providers and families. The automatic payment functionality within PATH allows payments to continue even after services or placements have ended, while fragmented data systems delay the detection of such errors. Once overpayments occur, limited enforcement authority and unclear repayment procedures hinder recovery efforts, resulting in substantial funds remaining uncollected. In addition, inconsistent and delayed updates to placement and exit data in PATH further exacerbate the issue. When placement data is not updated promptly, PATH continues issuing payments to previous caregivers— in some cases, payments are made to both the former caregiver and the new provider simultaneously. For example, in May 2025, staff identified 173 cases of concurrent payments related to disrupted adoptions and placement changes.

Outstanding receivables from contracted providers total approximately \$4.2 million –approximately 60 percent of which is federally reimbursed— reflecting long-standing repayment delays and inconsistent follow-up. Repayment plans frequently remain pending for months while awaiting approval from legal counsel and many providers do not respond to repayment requests in the absence of formal consequences for non-compliance. The Bureau has recently taken steps to more proactively collect receivables by creating a process for confirming amounts and establishing repayment plans for those providers that have balances greater than \$250K. Those providers collective balances account for 41 percent of the \$4.2 million outstanding balance.



Similar weaknesses exist in payments to families. When placement exit dates are not promptly entered into PATH, automated payments continue for months—or even years—after a child has left care. According to estimates provided by DoHS, approximately \$2.5 million in probable family overpayments occurred in calendar year 2023 alone. Due to persistent staffing shortages, the agency has been unable to consistently track and update overpayment data.

Collectively, these issues highlight broader weaknesses in BSS’s payment management framework. The Bureau is exposed to overpayments upfront due to automated disbursements and delayed data validation and struggles to recover funds later due to limited enforcement and oversight.

Findings and Considerations

FINDING 3: INEFFECTIVE PAYMENT CONTROLS AND RECEIVABLES MANAGEMENT

ESTIMATED IMPACT

Weaknesses in payment controls have resulted in both overpayments to providers and families who care for foster children. Addressing these issues would produce a one-time cash recovery from existing provider receivables and ongoing cost avoidance by preventing future improper payments.

PROVIDER RECEIVABLES AND PAYMENTS

As of May 2025, DoHS was tracking \$4.2 million in receivables due to provider overpayments. Conservatively, a concerted, one-time effort to collect these receivables could recover up to 50% of the outstanding balance, or approximately \$2.1 million. This recovery would improve cash position and reduce aged receivables.

Further, improving payment controls would reduce the occurrence of future provider overpayments. By preventing improper payments before they occur, the Department could maintain a lower level of provider receivables over time.

If we assume that the receivable balance is typically \$2.1 million, and improved controls reduced provider overpayments by approximately 50%, the Department could avoid an estimated \$1.05 million per year in improper provider payments that would otherwise require future recovery efforts.

Approximately 60% of provider payments are federally reimbursed, so only 40% of these payments would accrue as General Fund savings (as shown in the table below).

FAMILY PAYMENTS

DoHS estimates that approximately \$2.5 million in family overpayments occurred in calendar year 2023, the most recent period for which data is available. The Department currently has no-ongoing efforts to track overpayments to families, nor seek refunds. Recovery of these funds would be administratively challenging.

As a result, the primary opportunity related to family payments is preventing future overpayments, rather than recovering past ones. If the 2023 overpayment level is directionally representative, a 50% reduction over time would avoid approximately \$1.25 million per year in improper payments to families providing foster care.

Category	Impact Type	Estimated Financial Impact	Estimated General Fund Impact (40%)
Provider receivables and payments	One-time recovery of outstanding receivables	\$2.1M	\$840,000
	Ongoing cost avoidance from reduced provider overpayments	\$1.05M	\$420,000
Family payments	Ongoing cost avoidance from reduce family overpayments	\$1.25M	\$500,000
Total		\$4.4M	\$1.76M

Findings and Considerations

FINDING 3: INEFFECTIVE PAYMENT CONTROLS AND RECEIVABLES MANAGEMENT

ESTIMATED IMPACT CONTINUED

Beyond direct financial returns, enhanced oversight and automation would reduce the need for the level of staffing capacity currently devoted to manual reconciliation and legal coordination, enabling faster financial closeouts, clearer reporting, and stronger confidence in BSS's fiscal stewardship with a reduced level of resources devoted to the activities. Based on initial estimates of current staffing costs of approximately \$5.6 million annually for personnel engaged in these activities - including fiscal staff and administrative support - even a conservative 10% efficiency gain could translate into \$500,000-\$600,000 in potential personnel savings.

POTENTIAL CONSIDERATIONS

CATEGORY	CONSIDERATION
System Controls	Implement automated stop-payment functionality within the PATH system to prevent disbursements after a placement or service ends. Integrate system alerts to identify and address concurrent payments to multiple caregivers or providers.
Data Accuracy and Oversight	Establish a regular data validation process that compares caseworker-entered placement and exit dates with payment records to identify discrepancies in real time. Require supervisory review for cases with concurrent payments.
Provider Repayment Authority	Grant BSS the authority to temporarily suspend payments to providers with unresolved receivables, subject to clear repayment plan approval protocols and legal review to ensure compliance. If the State experiences several challenges with collection of overpayments to providers, it could consider selling the related receivable to debt collection as an alternative to spending time and effort on collections.
Family Overpayment Recovery	Develop a structured process to identify, document, and recover overpayments to families, including established repayment agreements and clarifying the conditions under which recovery is pursued.

IMPLEMENTATION

Implementation should focus on strengthening internal controls while improving data integrity and accountability across financial and program operations.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
LOW	1 YEAR	\$0.5 MILLION	\$1.8 MILLION	\$2.3 MILLION

Findings and Considerations

FINDING 4: POSTAGE COSTS

BACKGROUND

DoHS could achieve estimated annual savings of \$1.3 million in postage costs by revising document retention policies and increasing the adoption of ACH payments for providers and family members.

In FY2025, DoHS incurred \$4.2 million in postage expenses. While certain documents must be mailed due to limited internet access and varying levels of technological proficiency across West Virginia, several current policies and procedures appear to contribute unnecessarily to high postage costs. For example, staff reported that OSA requires the scanning of signed invoices into the Oasis system, followed by mailing the original documents with wet signatures to OSA for all paid invoices, regardless of expense type or funding source. Although one OSA staff member stated, “I thought we had stopped that”, indicating that this practice may have been discontinued, this was not able to be confirmed. This duplication not only increases postage expenditures but also adds to storage and eventual document destruction costs.

Additionally, the continued use of paper checks is a significant driver of postage expenses. In the past year, BSS issued over 52,000 paper checks for provider and family payments.

Checks are frequently lost, stolen, or delayed, often due to inconsistent maintenance of recipient addresses by caseworkers. This situation increases the risk of fraud and theft and results in additional costs associated with check reissuance.

Beyond these expenses, the Office of Technology (OT) print shop processes approximately 9.8 million notices annually for all programs. This volume of mailed notices represents a substantial portion of DoHS’s overall postage costs and may include communications that could be delivered electronically or consolidated to reduce frequency and expense.

ESTIMATED IMPACT

DoHS could reduce postage costs by approximately \$1.3 million annually, representing about 25 percent of current expenditures. This estimate is based on FY2025 postage spending of \$4.2 million and staff input indicating that at least one-quarter of these costs are unnecessary and could be eliminated.

Savings would primarily come from:

- ▶ Reducing paper check volume through ACH adoption
- ▶ Eliminating duplicative invoice mailing requirements
- ▶ Consolidating or digitizing mailed notices

These changes would not only lower postage expenses but also reduce related costs for document storage, destruction, and check reissuance.

Findings and Considerations

FINDING 4: POSTAGE COSTS

POTENTIAL CONSIDERATIONS

CATEGORY	CONSIDERATION
Policy Clarification	Physical storage of original wet signatures should be required only in instances where such retention is mandated by applicable law or regulation.
Push for ACH and e-check payments	Providers should be required to receive payments electronically by default. Exceptions to this policy should be granted only upon formal request and approval of an exemption.

IMPLEMENTATION

DoHS should conduct a systematic review of all postage-related expenditures to determine which costs are mandated by applicable law or regulation. For those expenses not legally required, DoHS should develop and implement a plan to reduce or eliminate unnecessary postage costs. Based on staff input, it is estimated that at least 25 percent of current postage expenses are unnecessary and could be eliminated.

UPFRONT COST TO Correct	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
LOW	1 YEAR	\$0	\$1.3 MILLION	\$1.3 MILLION

Findings and Considerations

FINDING 5: WEAK OVERSIGHT OF CONTRACTED SERVICES

BACKGROUND

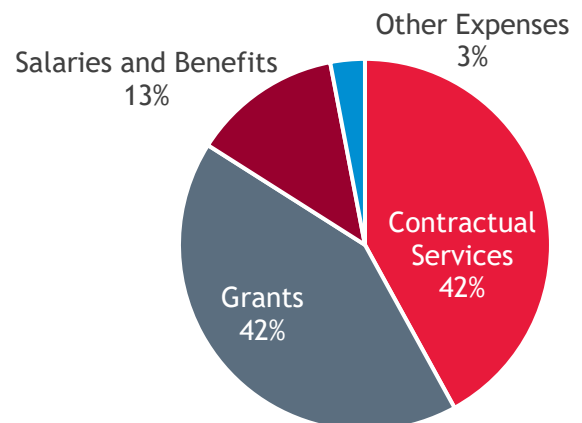
Limited oversight and documentation of contracted activities increase both financial and compliance risk, underscoring the need for stronger controls and standardized procedures.

While this challenge exists across DoHS, it is particularly evident within the Office of Drug Control Policy (ODCP). Established in 2017 under the West Virginia Drug Control Policy Act, ODCP is responsible for developing Statewide strategies and administering grants to community organizations that support prevention and treatment efforts.

ODCP relies extensively on contractors to execute daily operations. With only three program managers and one executive assistant, the Office's capacity to monitor contractor activities is constrained. Staff are tasked with reviewing deliverables, validating time and effort reporting, and approving invoices; however, documentation requirements and review procedures are not standardized. The quality and completeness of contractor submissions vary significantly, and program managers often receive minimal information upon which to base approval decisions. A recent internal review by ODCP identified falsified time reporting by a contractor, highlighting the oversight gaps that result from limited staff capacity and inconsistent processes.

These risks are heightened by the structure of ODCP's expenditures. In FY2025, the office managed approximately \$2.5 million in total spending. Contractual services and grants together accounted for roughly 85 percent of ODCP's budget, with the remainder allocated to salaries, benefits, and other operating costs. When a substantial share of funds is directed to external partners, the absence of clear documentation standards, performance monitoring, and invoice review procedures increases the likelihood of overpayment, insufficient verification of work performed, and inefficient use of State resources. Strengthening these controls would enable ODCP to more effectively manage contracted activities.

Exhibit 5: ODCP Expenses



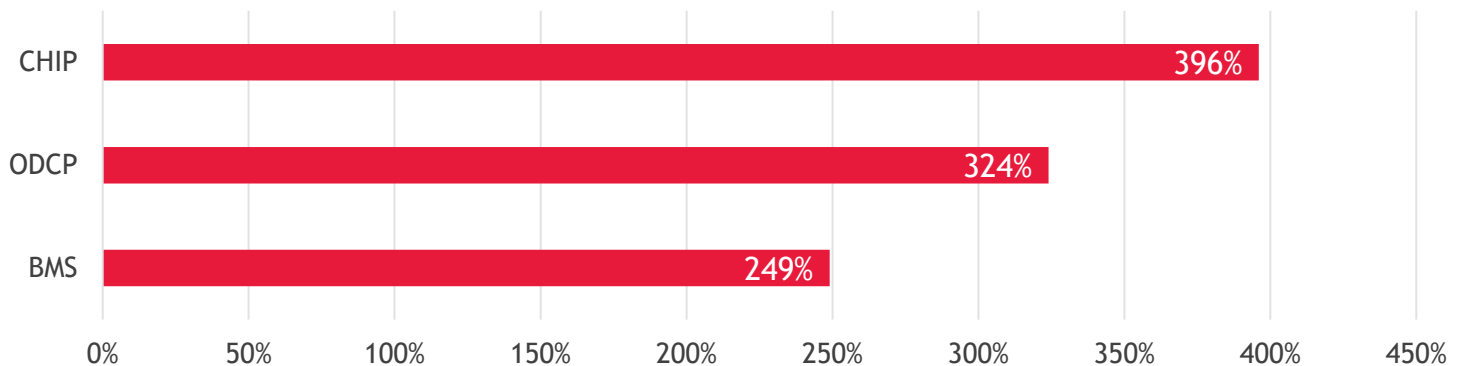
Findings and Considerations

FINDING 5: WEAK OVERSIGHT OF CONTRACTED SERVICES

OTHER BUREAUS

As noted, ODCP is not the only office in DoHS where there is exposure from overreliance on contractors. The Bureaus and Office's most at risk are those which, like ODCP, have a small number of staff who oversee many contractors. Dividing contractual services by personnel expenses reveals two other bureaus that may—like ODCP—have trouble monitoring contractors. The Children's Health Insurance Program (CHIP) and the Bureau for Medical Services (BMS) both have contractual service budgets that are between double and quadruple their personnel budgets.

Exhibit 6: Contractual Services as % of Personnel



The scale of contractor spending between these bureaus is significantly different. BMS spent \$18 million on contractual services, which is about 54 percent of the \$34 million DoHS spent in total on contractors. Comparatively, CHIP spent \$1.4 million and ODCP spent \$1 million. BMS and CHIP primarily oversee insurance programs, while ODCP administers grants and sets policy. Note that BDO did not note any particular concerns regarding contractor oversight outside of ODCP but is highlighting areas that could present additional overspending or lax oversight given spend to resource ratio. For purposes of this report, no cost assumptions were made outside of ODCP.

ESTIMATED IMPACT

Enhancing ODCP's contractor oversight practices would reduce financial exposure and strengthen accountability over the office's largest spending categories. Inconsistent documentation, limited monitoring, and the absence of standardized time-reporting requirements create exposure for billing errors, unverified work, or ineligible charges.

According to the Association of Certified Fraud Examiners' 2024 Report to the Nations, organizations lose an estimated 5 percent of annual expenditures to preventable issues such as inaccurate billing, insufficient documentation, or weak internal controls.¹⁵ Applying this benchmark to ODCP's \$2.5 million budget indicates a potential exposure of approximately \$125,000 annually.

Findings and Considerations

FINDING 5: WEAK OVERSIGHT OF CONTRACTED SERVICES

POTENTIAL CONSIDERATIONS

Given ODCP's limited staffing model and the significant proportion of expenditures directed to contractors and grantees, several practical steps could strengthen oversight, reduce financial risk, and improve consistency in the monitoring of contracted work. The following considerations outline opportunities to enhance internal controls and ensure that contracted activities are aligned with ODCP's mission and objectives.

CATEGORY	CONSIDERATION
Standardize Invoice and Documentation Requirements	ODCP should establish clear expectations for what contractors must submit with each invoice, including time documentation, deliverable summaries, and any supporting materials.
Develop Written Procedures for Contract Oversight	Policies should outline how invoices are reviewed, what staff should verify before approving payment, and how documentation is stored. This will help create consistency across program managers and ensure each contract is monitored in a standardized manner.
Conduct Periodic Reviews of Contractor Performance	A structured review of deliverables, time logs, and outcomes should be implemented to determine whether contractors are meeting expectations and to identify areas where adjustments are needed.
Reassess the Current Mix of Contracted and Internal Work	Given ODCP's small office size and high proportion of contractor spending, it may be beneficial to determine whether some recurring tasks could be handled internally at lower cost or with greater oversight.
Improve Internal Capacity for Monitoring	Program managers may require additional support or training on contract oversight, documentation standards, and identifying irregularities

IMPLEMENTATION

Implementing controls across DoHS would strengthen oversight of high-risk spend categories and reduce the likelihood of payments for work that is not fully documented or verified. Clearer procedures and consistent monitoring would help prevent billing irregularities previously identified and reduce unnecessary expenditures. As contractors begin submitting standardized documentation and staff spend less time reconciling incomplete invoices, ODCP would realize efficiency gains and free up capacity for higher-value work. While annual savings may be modest, these benefits will compound over time as robust controls reduce billing errors, improve accountability, and ensure that funds are used as intended. Applying these practices Department-wide will reduce financial and compliance risk, improve efficiency, and ensure these funds are used as intended.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
LOW	1 YEAR	\$0	\$125K	\$125K

Findings and Considerations

II. PATH SYSTEM LIMITATIONS

Findings and Considerations

FINDING 6: MAINFRAME DEPENDENCY AND MODERNIZATION NEEDS

BACKGROUND

DoHS relies on an outdated mainframe to operate critical programs and services, resulting in high costs and significant barriers to modernization.

The PATH system serves as the backbone of DoHS operations. It is used by caseworkers in BFA to enroll individuals in Medicaid, CHIP, Supplemental Nutrition Assistance Program (SNAP), Medicare Premium Assistance Programs, Low Income Energy Assistance Program (LIEAP), School Clothing Allowance, and other programs.

Caseworkers in BSS also use PATH to document and manage cases for all individuals receiving social work services. Additionally, PATH processes invoices and payments associated with these programs. As such, PATH is the Department's most mission-critical system and represents one of its greatest operational risks.

Much of PATH's functionality is dependent on a forty-year-old mainframe environment built in Common Business-Oriented Language (COBOL) and Natural, technologies that require specialized and costly support. The system's limited integration with modern platforms restricts DoHS's ability to streamline operations, adopt new tools, or share data effectively across programs. Maintenance and hosting costs are substantial, estimated at approximately \$7.2 million per year, and the State's current contract for mainframe support with Ensono is set to expire in 2027.

OT has established a goal to migrate all State mainframe systems to a cloud-based environment before the contract's expiration. However, the process of rewriting and translating decades-old code is complex and high-risk. Because PATH's core logic is deeply intertwined with its legacy design, modernization cannot occur incrementally without disrupting essential eligibility and payment functions.

Until the mainframe dependency is resolved, the implementation of performance or process improvements within PATH will remain limited. **Consequently, many of the performance challenges and recommendations identified in this audit are contingent upon the ability to successfully transition off the mainframe and provide a more dynamic and flexible set of capabilities within PATH.**

Findings and Considerations

FINDING 6: MAINFRAME DEPENDENCY AND MODERNIZATION NEEDS

ESTIMATED IMPACT

DoHS currently spends approximately \$7.2 million per year to maintain the legacy mainframe that supports the PATH system. These costs include hosting, licensing, and specialized contractor support to sustain outdated code and hardware.

Beyond the direct financial burden, the mainframe's limitations constrain operational flexibility and inhibit modernization. System changes that could improve efficiency—such as automating workflows, consolidating case records, or sharing data across Bureaus—cannot be implemented without significant manual intervention or costly custom code. If modernization were achieved, DoHS could potentially avoid up to \$7.2 million in annual maintenance costs while also improving data integrity, reducing error rates, and expanding access to integrated analytics.

POTENTIAL CONSIDERATIONS

OT has initiated the migration of State systems to cloud platforms, including Amazon Web Services (AWS), with the objective of retiring legacy mainframe dependencies. Close coordination with OT will be essential to define the scope of DoHS's involvement and to evaluate the costs and requirements associated with cloud migration. OT is currently partnering with AWS to conduct initial assessments for transitioning DoHS and other State agencies off the mainframe. Following these assessments, OT will be able to select from a range of cloud-based service providers, with AWS being one of several available options.

OPTION	APPROACH	ADVANTAGES	LIMITATIONS
1. Full System Rebuild	Re-engineer PATH's code and logic for a modern architecture	Long-term sustainability; improved integration; enhanced security	High upfront cost and multi-year timeline (~3+ years)
2. Targeted Code Patching	Apply limited "hot fixes" to maintain current functionality	Lower initial cost; quicker to implement	Perpetuates inefficiencies; higher long-term costs; limited modernization benefit

IMPLEMENTATION

Implementation of the PATH system modernization will require a structured, multi-phase approach. This process should be coordinated with OT and aligned with the State's 2027 contract timeline. The initial phase will involve conducting a comprehensive return on investment analysis to evaluate and compare available migration options. Following this analysis, DoHS should undertake detailed process mapping of existing mainframe workflows. The insights gained from this mapping will inform and guide the subsequent transition to cloud-based platforms, ensuring that modernization efforts are both effective and aligned with operational requirements. The State would also need to consider the impact of costs to implement and maintain new technology, which could reduce the ultimate cost savings.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
MEDIUM	2 YEARS	\$0	\$7.2 MILLION	\$7.2 MILLION

Findings and Considerations

FINDING 7: PATH SYSTEM PERFORMANCE AND RELIABILITY

BACKGROUND

Persistent challenges with PATH’s performance and reliability have adversely affected daily operations and reduced productivity across DoHS programs.

Staff consistently report slow system response times, frequent outages, and disruptions to case processing, financial transactions, and management activities.

In 2018, DoHS initiated a contract with Optum to consolidate three legacy systems—FACTS (Families and Children Tracking System), RAPIDS (Recipient Automated Payment and Information Data System), and OSCAR (Online Support Collections and Reporting)—into a unified platform known as PATH. The primary objective was to streamline services for public assistance and child welfare programs within a single, integrated system. By 2021, it became evident to DoHS that the initial system design did not meet operational requirements within the established budget and timeline. As a result, the State scaled back the project to focus on core functionality, a decision commonly referred to by staff as “The Great Pivot.”

Despite West Virginia’s achievement in launching a fully operational Comprehensive Child Welfare Information System (CCWIS), PATH’s performance remains below expectations. Staff from the Bureau for Child Support Enforcement (BCSE) report average system load times of six seconds, which is twice the enterprise standard. Outages are frequent, ranging from 30 minutes to full-day events. Economic Service Workers in BFA indicate that application processing times have increased significantly, with tasks that previously required 25 minutes now taking between 45 and 90 minutes due to PATH-related errors. The slow system load times are compounded by the poorly optimized user interface. Steps that in a better designed interface could be completed in a single click require three or four in the existing design. Optum planned on fully redesigning the user interface, but that plan was set aside during “The Great Pivot.” These inefficiencies have led to increased staffing requirements to manage caseloads. Interviews conducted by BDO consistently identified instances where PATH utilization resulted in double or triple the time needed to complete standard activities compared to pre-implementation processes.

Several factors contribute to PATH’s performance and speed issues:

- ▶ A substantial portion of PATH’s data remains housed on a forty-year-old mainframe, where legacy code and accumulated workarounds have diminished overall system efficiency.
- ▶ Staff frequently receive code updates from Optum that do not compile or perform as intended, resulting in recurring technical delays. Anecdotal evidence highlights instances where in-process changes to PATH code have caused unintended negative impacts on other system components.
- ▶ Data transmission requires routing through a Charleston data center and then to a mainframe located in Indiana before returning, which introduces latency and bottlenecks during periods of high system activity.

Findings and Considerations

FINDING 7: PATH SYSTEM PERFORMANCE AND RELIABILITY

ESTIMATED IMPACT

DoHS’s reliance on the slow and unstable PATH system results in measurable financial and operational costs. Performance delays have been shown to reduce staff productivity, increase overtime, and impede timely service delivery.

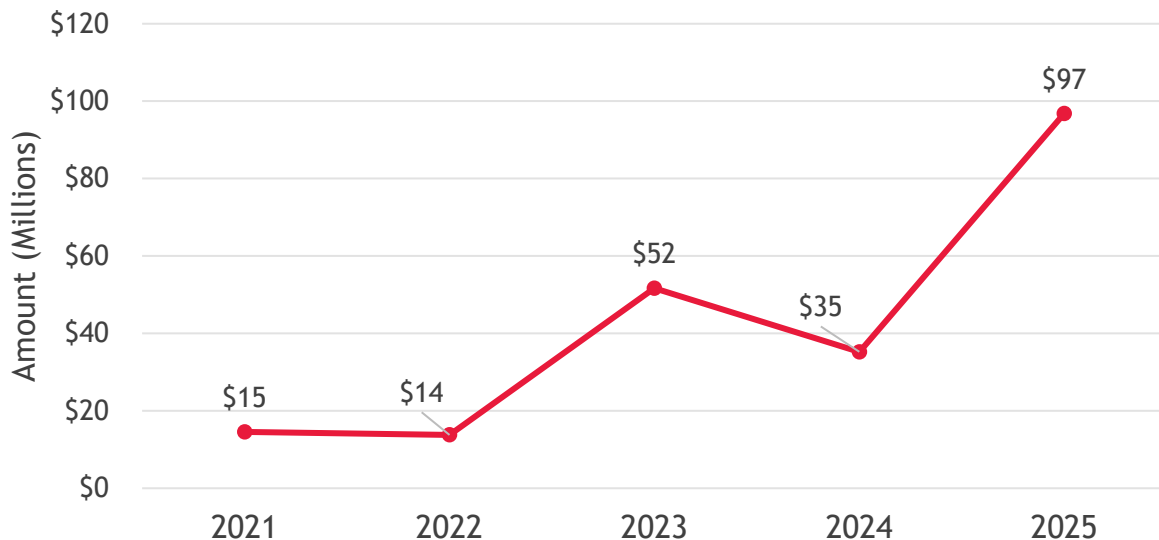
Across approximately 3,500 DoHS employees, it is estimated that a 2 percent reduction in productive time attributable to system delays equates to roughly \$2.3 million in lost labor value annually, based on average salary costs across the Department. Improvements in system responsiveness and stability would enable staff to redirect capacity toward client services, case management, and other core responsibilities, thereby improving program outcomes.

In addition to productivity losses, DoHS continues to incur substantial costs for system maintenance and vendor support. As shown in **Exhibit 7**, payments to Optum have increased from \$14.5 million in FY2021 to \$35.25 million in FY2024, and nearly \$97 million in FY2025. This represents a 569 percent increase from FY2021 to FY2025, and a 175 percent increase from FY2024 to FY2025 alone.

These dramatic rises reflect both the expanded scope of services and ongoing remediation efforts to address performance issues. Despite these escalating expenditures, users continue to report slow response times and system instability, indicating that current investments have not produced commensurate operational improvements. There appears to be no justifiable reason for such significant increases in vendor payments, especially given the persistent challenges and lack of measurable progress, but the State’s reliance on PATH presents little other option.

Enhancing PATH’s performance would yield both fiscal and service-delivery benefits, including reduced wasted staff time, improved reliability, and strengthened overall operational efficiency for the Department.

Exhibit 7: Payments to Optum



Findings and Considerations

FINDING 7: PATH SYSTEM PERFORMANCE AND RELIABILITY

POTENTIAL CONSIDERATIONS

Improving the performance and stability of the PATH system will require a coordinated approach involving DoHS, OT, and Optum. The considerations below identify priority areas for addressing the underlying causes of system delays, strengthening accountability, and supporting long-term modernization efforts.

CATEGORY	CONSIDERATION
System Diagnostics	Conduct a comprehensive performance assessment to isolate the primary sources of latency, outages, and data-processing delays. This assessment should distinguish between mainframe, application, and network-related issues.
Infrastructure and Connectivity	Coordinate with OT to evaluate bandwidth, cabling, and connectivity limitations across county offices that contribute to slow response times and inconsistent system access.
Contract Oversight	Reassess contract structures to ensure that vendor payments are aligned with demonstrable performance improvements, thereby enhancing accountability and value for expenditures.
Future System Planning	Integrate performance-monitoring data into broader modernization planning to inform the timing, sequencing, and funding needs for the eventual transition off the mainframe.

IMPLEMENTATION

Implementation should commence with a coordinated performance assessment involving DoHS, OT, and Optum to identify the primary causes of system delays and outages. Upon completion of this assessment, the Department should prioritize targeted technical fixes, update code and network configurations, and strengthen performance monitoring. Additionally, all parties should establish a structured process for the prioritization and management of system enhancements and upgrades, ensuring that improvements are aligned with identified operational needs and critical risks

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
High	1-5 YEARS	\$2.3 MILLION	\$0	\$2.3 MILLION

Findings and Considerations

FINDING 8: MANUAL BENEFITS ELIGIBILITY PROCESS

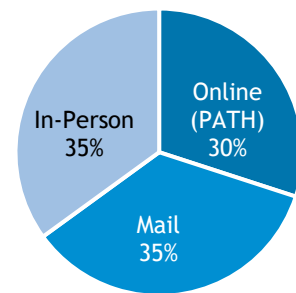
BACKGROUND

West Virginia’s benefits eligibility process is predominantly manual and reliant on legacy systems with limited automation.

Programs such as Medicaid, SNAP, and related services are constrained by outdated infrastructure, resulting in processing delays, inconsistent eligibility determinations, and uneven service delivery across all 55 counties. Although the initial implementation of PATH envisioned reengineered workflows to streamline operations, these enhancements were ultimately abandoned during “The Great Pivot.”

Residents may apply for benefits through three primary channels: online via PATH, in person at local DoHS offices, or by mail. Despite the availability of the PATH system, approximately 75 percent of applicants continue to utilize paper-based or in-person methods. This pattern reflects persistent barriers, including limited broadband access, low digital literacy, and a complex online application form that mirrors the full paper packet rather than streamlining the process. As a result, caseworkers are required to scan, upload, and manually enter application data into legacy back-end systems, further contributing to administrative inefficiencies and delays.

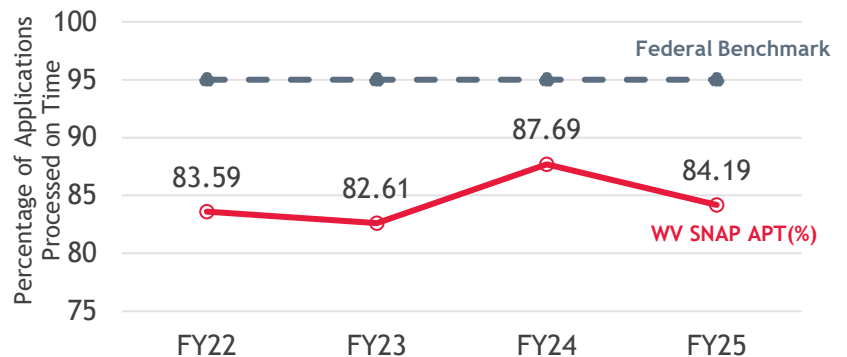
Exhibit 8: Application Methods for Benefit Programs



PATH primarily functions as a digital intake layer but remains closely integrated with legacy eligibility infrastructure—including RAPIDS, OnBase, and Compass Capture. These platforms require staff to manually re-enter or validate information, navigate 48 separate Medicaid category codes, and cross-reference multiple databases. Staff report that processing a standard household application now takes approximately 80 percent longer than prior to PATH’s implementation. Because the underlying process was never re-engineered, it continues to involve numerous manual verification steps, outdated logic rules, and redundant data entry.

To assess operational efficiency, BDO reviewed Application Processing Time (APT) data for SNAP. APT measures the proportion of applications processed within the federally mandated 30-day standard (7 days for expedited cases), with a federal benchmark of 95 percent. West Virginia’s performance remains consistently below this benchmark, with FY2025 results approximately 10 percentage points lower than the federal standard.

Exhibit 9: SNAP Application Timeliness Remains Below Federal Standards



Findings and Considerations

FINDING 8: MANUAL BENEFITS ELIGIBILITY PROCESS

ESTIMATED IMPACT

Modernizing West Virginia’s eligibility process—through automation, workflow redesign, and improved system integration—presents a significant opportunity to enhance timeliness, productivity, and accuracy across BFA. Streamlining data entry, eliminating redundant steps, and applying rule-based verification could sustainably reduce administrative burden.

Across the country, many states have adopted Robotic Process Automation (RPA) and other advanced automation tools to improve benefits processing efficiency. According to the U.S. Department of Agriculture’s Food and Nutrition Service, automation has consistently reduced processing times by 10 minutes per case—representing approximately a 10-15 percent improvement in worker productivity when implemented correctly and paired with training and workflow redesign.¹⁶ In 2023, Virginia implemented workflow improvements and system automations, increasing the share of Modified Adjusted Gross Income (MAGI) Medicaid applications processed within 24 hours from roughly 20 percent to 70 percent.¹⁷

BFA employs approximately 700 Economic Service Workers and Supervisors, with an average annual cost to the State of \$58,000 in salaries and benefits per employee. If, as a group, they become 10-15 percent more productive, the State may be able to avoid backfilling positions and realize significant savings as employees retire or transition to new roles.

	BASELINE	FUTURE STATE (10% increase in productivity)	FUTURE STATE (15% increase in productivity)
FTEs	700	630	595
Average cost of Economic Service Workers/Supervisors	\$58K	\$58K	\$58K
Total Cost	\$40.6M	\$36.5M	\$34.5M
SAVINGS OVER BASELINE		\$4M	\$6M

Findings and Considerations

FINDING 8: MANUAL BENEFITS ELIGIBILITY PROCESS

POTENTIAL CONSIDERATIONS

Realizing the estimated efficiency and service improvements will depend on the design, phasing, and sustained support of modernization efforts across DoHS. The most significant gains are unlikely to be fully achieved until DoHS transitions entirely away from manual processes and legacy systems.

CATEGORY	CONSIDERATION
System Integration	Strengthen integration between PATH, RAPIDS, and document management systems. While PATH has increased access to online applications, staff report that information entered online must still be verified or supplemented within RAPIDS, limiting the time savings that automation could provide.
Workflows	The current eligibility flow requires workers to complete fields for multiple programs, even when they are not relevant. Introducing conditional logic—so only relevant questions appear based on program type—would reduce processing time and improve efficiency.
Data Quality	Automation and analytics will only be as effective as the quality of the underlying data. Staff have cited incomplete or mismatched data across RAPIDS, AVS, and federal data sources as a source of rework. Addressing recurring system latency and downtime is also essential to prevent case processing delays and backlogs.

IMPLEMENTATION

Implementing process modernization and targeted automation presents significant opportunities for the BFA to improve timeliness, accuracy, and workforce capacity. The estimated \$4-6 million in annual cost savings reflects the value of efficiency gains achievable through workflow simplification, system integration, and automation.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
HIGH	2 - 5 YEARS	\$6 MILLION	\$0	\$6 MILLION

Findings and Considerations

FINDING 9: ADMINISTRATIVE BURDEN IN CASE DOCUMENTATION

BACKGROUND

Extensive documentation and data-entry requirements significantly limit the capacity of BSS staff to focus on core casework.

BSS plays a critical role in child protection, family preservation, and permanency planning across West Virginia. Caseworkers are responsible for responding to reports of abuse or neglect, assessing child safety, coordinating services, preparing court documentation, and maintaining detailed records as required by State and federal law. Like many states nationwide, West Virginia's child welfare system faces substantial workforce pressures, including high caseloads, vacancies in critical positions, and increasing administrative demands.

These caseloads, combined with court requirements and federal reporting standards, place considerable demands on caseworkers. Across all counties, caseworkers consistently report spending approximately 50 percent of their time on documentation, data entry into the PATH system, writing family assessments, preparing court petitions and case plans, and searching for historical information. This trend is consistent with national benchmarks.¹⁸

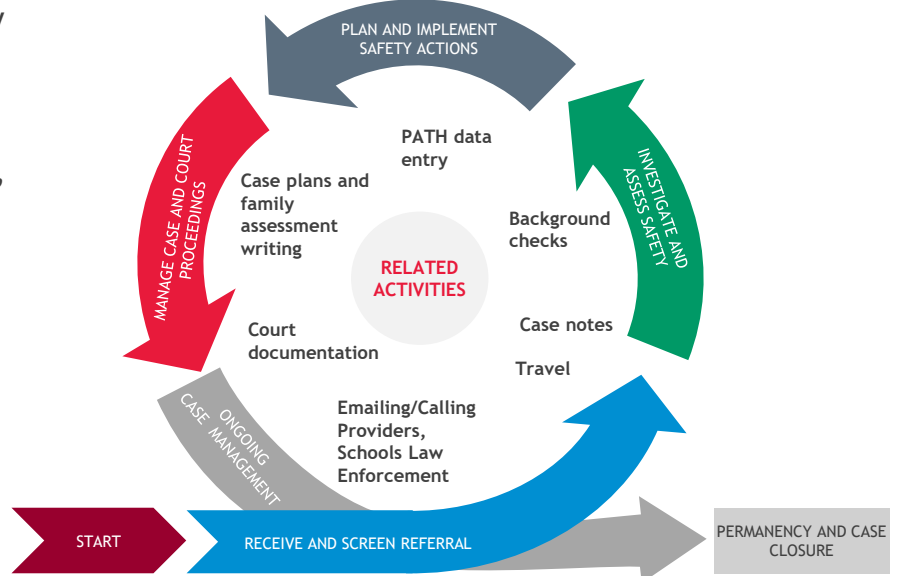
Key documentation tasks include:

- ▶ Entering data and case notes into PATH
- ▶ Writing contact summaries and family assessments
- ▶ Preparing court petitions, affidavits, and case plans
- ▶ Completing background checks for kinship placements and safety plans
- ▶ Drafting reports for court hearings and multidisciplinary team meetings
- ▶ Searching PATH or legacy systems for historical family information
- ▶ Re-typing handwritten notes after travel or interviews

While many documentation tasks are essential for compliance and case management, the way they are currently performed is highly manual, repetitive, and varies by county and supervisor. Staff have identified several operational challenges: duplicate data entry in PATH, the need to navigate multiple screens to complete a single form, frequent system timeouts, court requirements for paper or emailed documents, and limited integration with background check systems or law enforcement. These factors contribute to inefficiencies and increased administrative burden.

Exhibit 10 provides a generalized overview of the casework process.

Exhibit 10: CORE CASEWORK PROCESS FLOW



Findings and Considerations

FINDING 9: ADMINISTRATIVE BURDEN IN CASE DOCUMENTATION

ESTIMATED IMPACT

BSS caseworkers currently spend over half of their working hours on documentation and administrative requirements. While these tasks are essential for compliance and case management, the predominance of manual processes limits the time available for direct engagement with children and families.

Analysis of national benchmarks and best practices indicates that a 10 percent reduction in time spent on documentation is achievable through targeted process improvements:

- ▶ While not all documentation can be eliminated due to legal and compliance requirements, a significant portion is repetitive or non-value-added.
- ▶ National research shows that streamlining documentation and reducing duplicative tasks can yield efficiency gains in child welfare agencies without compromising compliance or service quality.¹⁹
- ▶ The Harvard Kennedy School Government Performance Lab²⁰ and CW360²¹ document measurable reductions in administrative burden of 10-20 percent through process redesign and technology-enabled tools.

BSS employs approximately 700 individuals in roles as adult protective service workers and supervisors, or child protective service workers and supervisors. The average annual cost to the State for each employee, including salary and benefits, is \$75,000.

Assuming that these employees currently spend 50 percent of their time on documentation, a 10 percent reduction in documentation workload would result in a 10-percentage point increase in time available to serve clients. This improvement could enable the State to avoid backfilling positions, thereby achieving significant cost savings as employees retire or transition to new roles

	BASELINE	FUTURE STATE (10% increase in productivity)
FTEs	700	630
Average cost of Adult Protective Service Workers/Supervisors	\$75K	\$75K
Total Cost	\$53M	\$47M
Savings Over Baseline		\$5.2M

Findings and Considerations

FINDING 9: ADMINISTRATIVE BURDEN IN CASE DOCUMENTATION

POTENTIAL CONSIDERATIONS

Efforts to streamline documentation and improve case management require consideration of several important factors. These considerations address process changes, workforce needs, compliance requirements, and the practical realities of daily casework. Notably, many would be most effective if they were integrated with PATH; however, such integration is unlikely until after DoHS transitions off the mainframe. The table below highlights key areas for examination as BSS explores options for increasing efficiency and supporting staff.

CATEGORY	CONSIDERATION
Background Checks	Enable BSS to conduct background checks directly to reduce delays and administrative burden.
Process Mapping	Conduct a comprehensive mapping of BSS intake and case management workflows to identify inefficiencies and automation opportunities.
Time Study	Implement a time study to establish baseline caseworker time allocation and measure future improvements.
Technology Pilot	Explore the use of AI for drafting case narratives and court reports, as well as synthesizing information from various databases.
Policy Development	Develop and implement clear policies regarding the appropriate use of AI and technology in sensitive casework environments.

IMPLEMENTATION

Implementing targeted process improvements and streamlining documentation practices within the BSS could yield significant efficiency gains. By reducing the time caseworkers spend on administrative tasks, DoHS could recover thousands of work hours annually. Over time, these gains will enable BSS to manage caseloads with fewer staff, primarily through natural attrition.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
HIGH	2-5 YEARS	\$3 MILLION	\$0	\$3 MILLION

Findings and Considerations

III. MEDICAID BILLING AND REIMBURSEMENT

Findings and Considerations

FINDING 10: MISSED MEDICAID REIMBURSEMENT OPPORTUNITIES

BACKGROUND

DoHS continues to incur full-price expenditures for services that could be reimbursed at significantly lower rates if providers submitted claims through Medicaid.

Historically, when a provider submitted an invoice for a court-mandated service, BSS paid the invoice directly. BSS either lacked the authority to or did not exercise the option to cap rates for these services, allowing providers to bill at rates that frequently exceeded Medicaid benchmarks. For example, drug testing—often mandated by family court—resulted in approximately \$18 million in expenditures in FY 2024 alone. Similar patterns are observed for psychological evaluations, therapy, and other court-ordered support services.

To address these issues, the State enacted Senate Bill 128, which restricts courts from ordering DoHS to pay for adult services at rates exceeding Medicaid or those set by DoHS. However, implementation challenges remain, particularly regarding services for children. DoHS staff report that the law has not been fully enforced, and courts continue to mandate payments at higher rates. This legislative change only partially mitigates the underlying issue. When an individual—adult or child—is mandated to receive services and is either enrolled in Medicaid or eligible for enrollment, providers should bill Medicaid directly rather than BSS. Claims would then be processed through BMS in accordance with standard Medicaid billing procedures. However, in many instances the court-ordered activities are not aligned with a larger treatment program that would qualify it as a Medicaid-eligible expense.

The persistence of missed reimbursement opportunities is attributable to a lack of interagency coordination, process deficiencies, and external pressures. Staff responsible for payment approvals often have limited training in Medicaid billing procedures and cost classification, and there is no standardized process for reviewing court orders with BMS to determine Medicaid eligibility.

Findings and Considerations

FINDING 10: MISSED MEDICAID REIMBURSEMENT OPPORTUNITIES

ESTIMATED IMPACT

Analysis from DoHS identified approximately \$9 million in potential cost savings if BSS paid the Medicaid rate for services. These values helped convince the legislature to pass Senate Bill 128. However, it does not account for if providers billed Medicaid directly. If the State was able to have providers bill 80% of the services included in that analysis to Medicaid, it could save an additional \$7.9 million compared to the State's total estimated cost after full implementation of Senate Bill 128.

CATEGORY	State Cost Pre-Senate Bill 128	Est. State Cost Post-Senate Bill 128	Est. State Cost if 80% of services billed to Medicaid	Est. Additional Savings
Drug Testing	\$18M	\$11M	\$4M	\$7M
Psychological Services	\$3.4M	\$1.4	\$.5M	\$.9M
Total Estimated Savings				\$7.9M

POTENTIAL CONSIDERATIONS

For a cost to be eligible for reimbursement by Medicaid, it must be determined to be part of medically necessary treatment. Per discussions with DoHS personnel, one challenge with seeking Medicaid reimbursement is that many of the drug tests required are administered for the purpose of court compliance and thus not deemed medically necessary. To realize savings beyond those that can be gained by Senate Bill 128 and have the potential to claim associated costs against Medicaid, the State will need to coordinate more closely with the courts to consider judgments in terms of a recovery or treatment program rather than just a compliance requirement.

DoHS would also need to make changes in how it manages costs, how staff think about paying for services, and how it interacts with providers. Right now, the culture in many parts of BSS and Bureau of Behavioral Health (BBH) finance is to pay the expenses to avoid court penalties. Shifting this mindset—and empowering BSS to say no to providers—will be just as important as fixing systems or updating policies.

Findings and Considerations

FINDING 10: MISSED MEDICAID REIMBURSEMENT OPPORTUNITIES

POTENTIAL CONSIDERATIONS - Continued

CATEGORY	CONSIDERATION
Coordination with BMS	BSS, BBH, and BMS need to be aligned on which services are Medicaid-eligible and how to interact with providers sending unreasonable invoices, like drug testing, psychological evaluations, and residential placements.
Provider Enrollment	Some providers aren't enrolled with Medicaid. Even if provided services are Medicaid eligible, the State cannot bill Medicaid directly. DoHS should work to incentive providers and ensure they know how to bill through Medicaid.
Coordination with Courts	Many of these expenses originate with Judges ordering individuals to receive services. Judges expect these services to be provided promptly and DoHS staff feel pressured to pay for the services to ensure cases are not delayed, even if the rates are above Medicaid. DoHS should work with courts to set realistic expectations around how improved billing may impact the resolution of cases.
Train Staff and Reinforce Accountability	Finance and program staff need regular training on Medicaid billing, coding, and eligibility. Adding a short "Medicaid check" step before invoices are approved would help staff slow down and confirm whether reimbursement is possible.

IMPLEMENTATION

Implementation should begin by developing clear policies and procedures that outline when services must be reviewed for Medicaid eligibility before payment. A review process with BMS would help catch missed reimbursement opportunities early.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
LOW	<1 Year	\$0	\$7.9 MILLION	\$7.9 MILLION

Findings and Considerations

FINDING 11: FRAGMENTED MEDICAID ELIGIBILITY OVERSIGHT

BACKGROUND

Deficiencies in data sharing and eligibility coordination result in delayed Medicaid disenrollments and avoidable capitation payments.

The Medicaid program represents one of the largest State-administered initiatives in West Virginia, both in terms of population served and total expenditures, reaching \$5.1 billion in FY2025. Compliance with federal eligibility requirements is imperative; benefits must be provided exclusively to individuals who remain actively eligible. Federal regulations mandate the prompt termination or suspension of benefits for individuals who are deceased, incarcerated, have relocated out of state, or otherwise become ineligible. Failure to adhere to these requirements may result in improper payments, which in turn can trigger repayment obligations, corrective action plans, financial penalties, or increased federal oversight.

In 2023, the West Virginia Legislature's Post Audit Division conducted a targeted review of Medicaid eligibility maintenance within BMS.²² The audit determined that BMS continued to issue monthly capitation payments to managed care organizations (MCOs) on behalf of individuals who were either deceased or incarcerated—two categories under which individuals are categorically ineligible for Medicaid benefits, except in limited pre-release or inpatient hospital circumstances.

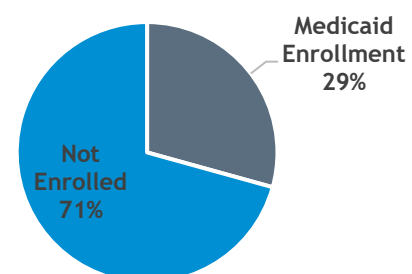
During the four-year audit period (FY2019-FY2022), State-funded Medicaid payments continued for individuals who should have been disenrolled, limited to the two eligibility categories reviewed.²² This finding reflects confirmed exposure attributable to delayed eligibility updates, rather than a comprehensive assessment of all potential eligibility-related payment risk. The audit did not evaluate other eligibility factors such as out-of-state residency, income changes, or missed redeterminations.

The audit identified several contributing factors:

- ▶ MCOs were not contractually obligated to notify the State of eligibility changes or to recoup capitation payments issued after such changes occurred.
- ▶ Individuals remained enrolled in Medicaid for multiple months after death or incarceration, resulting in continued payments prior to disenrollment.
- ▶ Delays in data sharing between Vital Statistics, the Division of Corrections, and the PATH eligibility system impeded timely termination of benefits for ineligible individuals.

As of FY2025, Medicaid enrollment in West Virginia exceeds 520,000 individuals, representing nearly one-third of the State's population and placing West Virginia among the highest per-capita Medicaid enrollment rates nationally. Given the scale of the program, even minor lapses in eligibility determination or maintenance can result in substantial improper payments.

Exhibit 11: Medicaid Enrollment as a Share of West Virginia Population



Findings and Considerations

FINDING 11: FRAGMENTED MEDICAID ELIGIBILITY OVERSIGHT

ESTIMATED IMPACT

Medicaid represents one of the State's largest ongoing expenditures, and delays in eligibility updates increase the risk that payments continue on behalf of individuals who are no longer eligible. These delays result in avoidable spending of State General Revenue and undermine effective stewardship of State resources.

Based on the West Virginia Legislature's Post Audit Division's 2023 audit, the State incurred approximately \$1.62 million per year in Medicaid capitation payments for individuals who should have been disenrolled, limited to cases involving deceased and incarcerated beneficiaries. The audit should serve as a baseline measure for State financial exposure, rather than a comprehensive estimate of all potential improper payments.

Preventing improper payments before disbursement is substantially more effective than retroactive recovery efforts. Real-time integration of death and incarceration data into the PATH eligibility system would enable the State to avoid issuing both State and federal shares of Medicaid payments to ineligible individuals, resulting in significant cost savings and enhanced program integrity.

The persistence of improper Medicaid payments due to delayed disenrollment is consistent with national trends and highlights systemic challenges in eligibility verification, interagency data sharing, and automated disenrollment processes. While West Virginia's improper payment rates are comparable to those observed in other states, the scope of recent reviews has been limited to deaths and incarcerations—two categories of ineligibility. Broader audits conducted in other states have identified improper payments resulting from additional factors, including out-of-state residency, dual enrollment, income ineligibility, and incomplete redeterminations.

- ▶ From July 2017 through October 2024, New York State improperly paid approximately \$2.6 billion in managed care premiums for individuals who no longer resided in the state due to delayed or rejected residency verification.²³
- ▶ Colorado identified approximately \$6 million in capitation payments issued after enrollees' deaths, attributable to failures in eligibility termination controls despite death dates being recorded.²⁴
- ▶ In Louisiana, a 2025 audit found \$92 million in improper payments resulting from inadequate out-of-state detection processes.²⁵

The scope of the Legislative Audit did not include consideration of these factors and suggests that West Virginia may be at greater risk for improper payments than current estimates indicate.

Findings and Considerations

FINDING 11: FRAGMENTED MEDICAID ELIGIBILITY OVERSIGHT

ESTIMATED IMPACT CONT.

While each state’s Medicaid program operates under unique circumstances, comparative analysis with peer states can help identify potential blind spots and inform strategies to strengthen program integrity in West Virginia. For example, in May 2025, the Louisiana Legislative Auditor reported that between March 2023 and December 2024, \$92 million in Medicaid payments were made on behalf of individuals who had obtained out-of-state driver’s licenses and received no services within Louisiana.²⁵ This represented approximately 0.3% percent of annual Medicaid payments being issued to ineligible out-of-state participants.

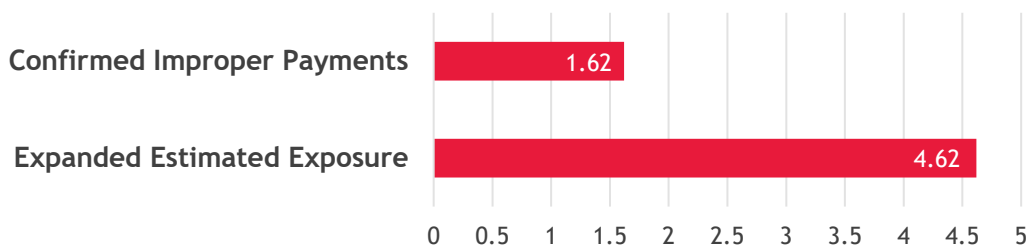
Applying Louisiana’s observed rate to West Virginia’s Medicaid expenditures provides a useful benchmark for estimating potential exposure to similar risks that may currently go unmeasured within the program. This estimate reflects only one category of ineligibility, and other factors such as income changes and missed redeterminations could further increase the scope of improper payments.

The following table illustrates how applying Louisiana’s rate to West Virginia’s Medicaid expenditures could further quantify potential exposure to improper payments.

TYPE OF ELIGIBILITY	WV AUDIT CONFIRMED	IMPROPER PAYMENT IMPACT
Deceased beneficiaries	Yes	\$1.62 million per year
Incarcerated beneficiaries	Yes	
Out-of-state residents	Not reviewed	\$3 million per year
Total Potential State Exposure		~\$4.62 million per year

Exhibit 12 presents a comparative analysis of improper Medicaid payments, contrasting the number of cases identified in Legislative Audit with estimated exposure levels based on rates observed in peer states. This visual illustrates the potential scale of financial risk associated with eligibility lapses and underscores the importance of expanding eligibility review processes and improving interagency data integration to mitigate improper payments.

Exhibit 12: Medicaid Improper Payments (in Millions)



Findings and Considerations

FINDING 11: FRAGMENTED MEDICAID ELIGIBILITY OVERSIGHT

POTENTIAL CONSIDERATIONS

Effectively addressing improper capitation payments will require a combination of policy revisions, system enhancements, improved interagency data integration, and related operational changes.

The following points should be considered before implementation:

CATEGORY	CONSIDERATION
PATH	Implement system enhancements to enable the PATH platform to automatically suspend or terminate Medicaid eligibility upon confirmation of death or incarceration, thereby reducing reliance on manual processing.
Data Sharing	Establish automated, recurring data exchanges between DoHS and external agencies, including Vital Records, the Social Security Death Master File, the Division of Corrections, and the Division of Motor Vehicles to facilitate timely eligibility updates.
Policies and Procedures	Develop and adopt a Statewide policy mandating the termination or suspension of Medicaid eligibility within a specified timeframe following receipt of death or incarceration notifications, ensuring prompt compliance with federal requirements.
MCO Contracts	Revise contractual agreements with MCOs to require notification to the State when an enrollee is deceased or incarcerated, and to mandate repayment of capitation payments issued subsequent to such events.
Federal Compliance	Ensure departmental practices are fully aligned with federal Medicaid eligibility maintenance requirements to prevent improper payments and mitigate the risk of corrective action plans or disallowances.
Audit and Oversight	Institute routine audit procedures and cross-checks to systematically identify, investigate, and reconcile eligibility discrepancies, thereby strengthening program integrity and fiscal stewardship.

IMPLEMENTATION

By closing eligibility gaps and preventing payments from going out in error, the State may avoid up to \$4.6 million in General Revenue losses annually.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
LOW	6-9 MONTHS	\$0	\$4.6 MILLION	\$4.6 MILLION

Findings and Considerations

IV. REDUCE REDUNDANCIES

Findings and Considerations

FINDING 12: BFA AND BSS OFFICES & STORAGE FACILITIES

BACKGROUND

DoHS could realize savings by consolidating and optimizing office and storage facilities.

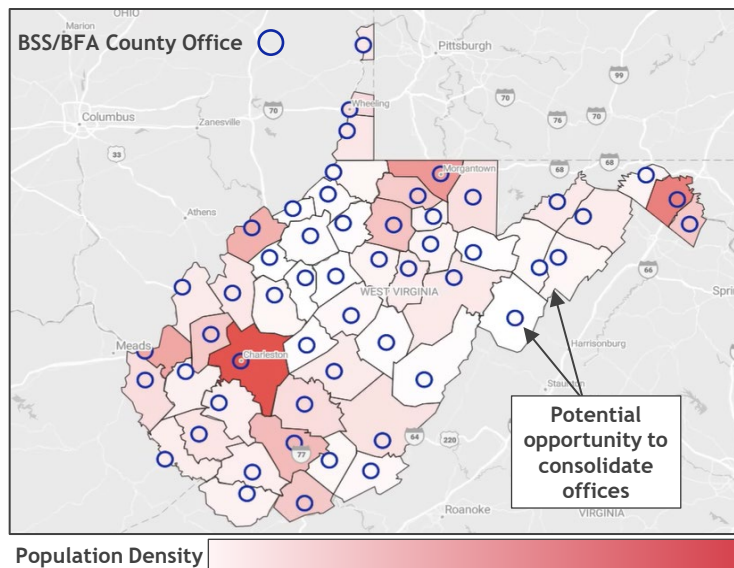
BFA and BSS currently share offices in 54 of West Virginia's 55 counties. These offices, owned or managed by BFA, serve as the primary workspace for both Bureaus. Staff have consistently reported that space constraints, shared resources, and day-to-day operational interactions contribute to inefficiencies and tension between the two teams in several locations.

Maintaining these offices represents a substantial recurring expenditure for the Department. Although detailed utilization data was not available for this review, the existence of separate office sites in less populous counties suggests opportunities for consolidation or right-sizing over time. Additionally, the Statewide requirement that employees work fully in person limits flexibility in adjusting the Department's physical footprint. Should work-from-home options be expanded in the future, the Department would be positioned to reassess office space requirements and potentially reduce associated facilities costs.

ESTIMATED IMPACT

Expenditure data for FY2023-2025 indicates that rent, utilities, maintenance, and other costs associated with upkeep for office locations supporting BFA and BSS amount to approximately \$14.5 million per year across 58 sites (54 county offices, one residential site, and three storage facilities). This equates to an average annual cost of \$250,000 per location, representing a significant and ongoing facilities obligation for the Department.

Exhibit 13: BSS and BFA County Locations



Due to the Statewide requirement that employees work in person, offices must remain open and staffed in every county, limiting opportunities for near-term reductions in the Department's physical footprint. However, analysis of the current baseline demonstrates that even modest adjustments to office space could generate meaningful long-term savings. For example, consolidating five offices in less-populous counties, as illustrated in Exhibit 13, could reduce occupancy expenditures by an estimated \$1.3 million per year. This analysis only examines DoHS facilities, but it may be possible to further consolidate the physical footprint by considering all departments. For example, it may be possible to combine DoHS facilities with other State agencies, such as Department of Health or DMV, which could produce further cost savings and programmatic efficiencies.

Findings and Considerations

FINDING 12: BFA AND BSS OFFICES & STORAGE FACILITIES

POTENTIAL CONSIDERATIONS

Any adjustments to the BSS and BFA office footprint must account for the State's policy requiring all State employees to work in person. This mandate ensures staff remain accessible to residents in every county, but it also limits the types of changes to facilities that are feasible. Within these constraints, several considerations remain:

CATEGORY	CONSIDERATION
Space Needs	Some counties may not require the amount of space currently allocated based on staffing levels or historical utilization. A targeted review could identify locations where offices could be downsized, modernized, or reconfigured without reducing access for residents or violating in-person requirements.
Evaluate Storage and Ancillary Facilities	The Department maintains multiple storage sites that contribute to annual occupancy costs. Reviewing what must be physically stored, what can be digitized, and where storage can be consolidated may present opportunities to reduce or repurpose underutilized space while keeping core in-person functions intact.
Improve Space Allocation within Shared Offices	BSS and BFA staff report that shared office arrangements create tension and inefficiencies. While offices must remain open and staffed, assessing how space is allocated could improve daily workflows and staff effectiveness.
Lease Renewal Cycles	As leases approach expiration, the Department may consider whether existing footprints are aligned with operational needs.
Conduct a Comprehensive Facilities Assessment	<p>Because detailed information on space ownership, square footage, and utilization was not available for this review, a full facilities assessment would provide the clarity needed to evaluate long-term options. Such an assessment could identify:</p> <ul style="list-style-type: none"> ▶ Current vs. required square footage under in-person staffing ▶ Opportunities to right-size or reconfigure offices ▶ Cost implications of maintaining vs. reducing space ▶ Long-term scenarios that preserve in-person access while improving efficiency <p>This deeper assessment would help the Department understand which adjustments are feasible under the Statewide in-person mandate and which changes could generate meaningful cost savings over time.</p>

Findings and Considerations

FINDING 12: BFA AND BSS OFFICES & STORAGE FACILITIES

IMPLEMENTATION

Implementation would require a structured feasibility assessment and phased plan to adjust office space in a way that preserves service accessibility while reducing ongoing costs.

A comprehensive facilities assessment presents a significant opportunity not only to optimize existing office space, but also to explore regionalization and further consolidation of the Department's physical presence. By evaluating the potential to combine offices across Bureaus, or even across agencies in smaller counties, the Department could achieve greater efficiencies and cost savings while maintaining service accessibility.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
Low	1-3 years	\$0	\$1.3 MILLION	\$1.3 MILLION

Findings and Considerations

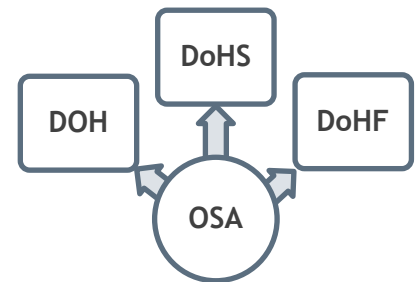
FINDING 13: FRAGMENTED OVERSIGHT OF HUMAN RESOURCES

BACKGROUND

Overlapping responsibilities between OSA and the Division of Personnel have resulted in inefficiencies and unclear ownership of administrative processes.

In July 2023, House Bill 2006 reorganized the former Department of Health and Human Resources into three independent departments—the Department of Health (DoH), DoHS, and the Department of Health Facilities (DoHF)—and established OSA to provide centralized procurement, human resources (HR), and accounts payable services to all three entities. Although this reorganization was intended to promote standardization and efficiency, the resulting structure has introduced significant complexity and blurred lines of authority, complicating administrative oversight and accountability.

DoHS has reported increased frustration with administrative support, noting that services now feel more distant, less responsive, and less tailored to Bureau-level needs. Oversight is further complicated by the involvement of additional Statewide authorities, including the Division of Personnel (DOP) for human resources and the Division of Purchasing for procurement, which limits OSA’s ability to serve as the final authority over functions it is expected to manage.



These structural challenges are most pronounced in HR. During the 2023 transition, BSS staff were granted “exempt” status, allowing employees to choose whether to remain under DOP or move to OSA authority. Approximately 80 percent opted for OSA, while 20 percent remained under DOP, resulting in two parallel HR systems with distinct rules, processes, and operating expectations. For non-exempt DoHS staff, OSA and DOP must coordinate on every process; however, this relationship is strained and relies heavily on manual spreadsheets, emails, and duplicated effort, leading to delays and inefficiencies. The fragmentation also complicates efforts to determine the true cost of HR services, as OSA’s expenses are allocated across departments and DOP’s support is not tracked by agency.

ESTIMATED IMPACT

Although precise cost impacts are challenging to quantify due to the distribution of expenses across DoHS, OSA, and DOP, available data indicates meaningful inefficiency in the current human resources structure. In FY2025, DoHS reported approximately \$4.5 million in expenses coded to Human Resources units; however, these costs do not capture the full extent of effort provided by OSA and DOP.

Industry research demonstrates that organizations can reduce HR-related costs by approximately 20 percent through process redesign and workflow standardization.²⁶ Applying this benchmark to DoHS’s \$4.5 million HR spend suggests a potential savings opportunity of roughly \$900,000 annually, contingent upon the streamlining of processes, elimination of redundancies, and improved coordination between OSA and DOP.

Findings and Considerations

FINDING 13: FRAGMENTED OVERSIGHT OF HUMAN RESOURCES

POTENTIAL CONSIDERATIONS

The 2023 reorganization and shared-services model among OSA, DoHS, and DOP have resulted in fragmented HR operations. Targeted actions are needed to improve efficiency, eliminate duplication, and clarify administrative authority.

CATEGORY	CONSIDERATION
Governance and Authority	Clarify decision-making roles among OSA, DoHS, DOP, and the Purchasing Division to reduce confusion and duplication.
HR Workflow Standardization	Align processes, forms, and approval pathways for exempt and non-exempt staff where feasible.
Process Efficiency	Automate or integrate manual workflows to minimize spreadsheet-based exchanges between OSA and DOP.
Process Mapping & Review	Assess HR processes to identify bottlenecks and validate potential savings.
Cost Transparency	Enhance visibility into OSA-allocated costs to support informed management decisions.

IMPLEMENTATION

Implementation should prioritize clarifying ownership, reducing duplication, and enhancing transparency across HR functions managed by the Office of Shared Administration and the Division of Personnel.

UPFRONT COST TO Correct	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
LOW	1 YEAR	\$0	\$900K	\$900K

Findings and Considerations

FINDING 14: FINANCIAL OPERATIONS AND PROCUREMENT

OVERVIEW

Department's purchasing and payment processes are highly fragmented and administratively burdensome.

This sentiment, identified in interviews with staff from DoHS, OSA, and the State Purchasing Division, has been echoed in interviews with other State agencies outside DoHS. Transactions—whether routine purchases or contract reviews—require sequential reviews by multiple entities, including Bureau staff, OSA Purchasing, OSA Finance, OT, the Purchasing Division, and the State Auditor's Office. While each entity fulfills its designated role, the cumulative effect is a process characterized by numerous handoffs, extensive documentation requirements, and multiple approvals, even for low-risk, recurring transactions.

The 2023 DHHR reorganization did not materially streamline these activities; if anything, it has led to a feeling of additional levels of review and handoffs. Most purchasing continues to flow through OSA, and Bureau staff remain responsible for resolving invoice discrepancies without direct access to oversight agencies. OSA manages approximately 15,000 invoices per month across DoH, DoHS, and DoHF and must adapt to evolving Statewide requirements, often without sufficient staffing or training.

As a result, the purchasing and payment environment is marked by delays, repeated rework, and limited visibility for program staff regarding transaction status or rejection reasons. The current administrative layering creates avoidable friction for programs and vendor relationships. One employee with prior success in procurement noted, "Sometimes it just comes down to who you know over there," when describing the unpredictability of Purchasing Division approvals.

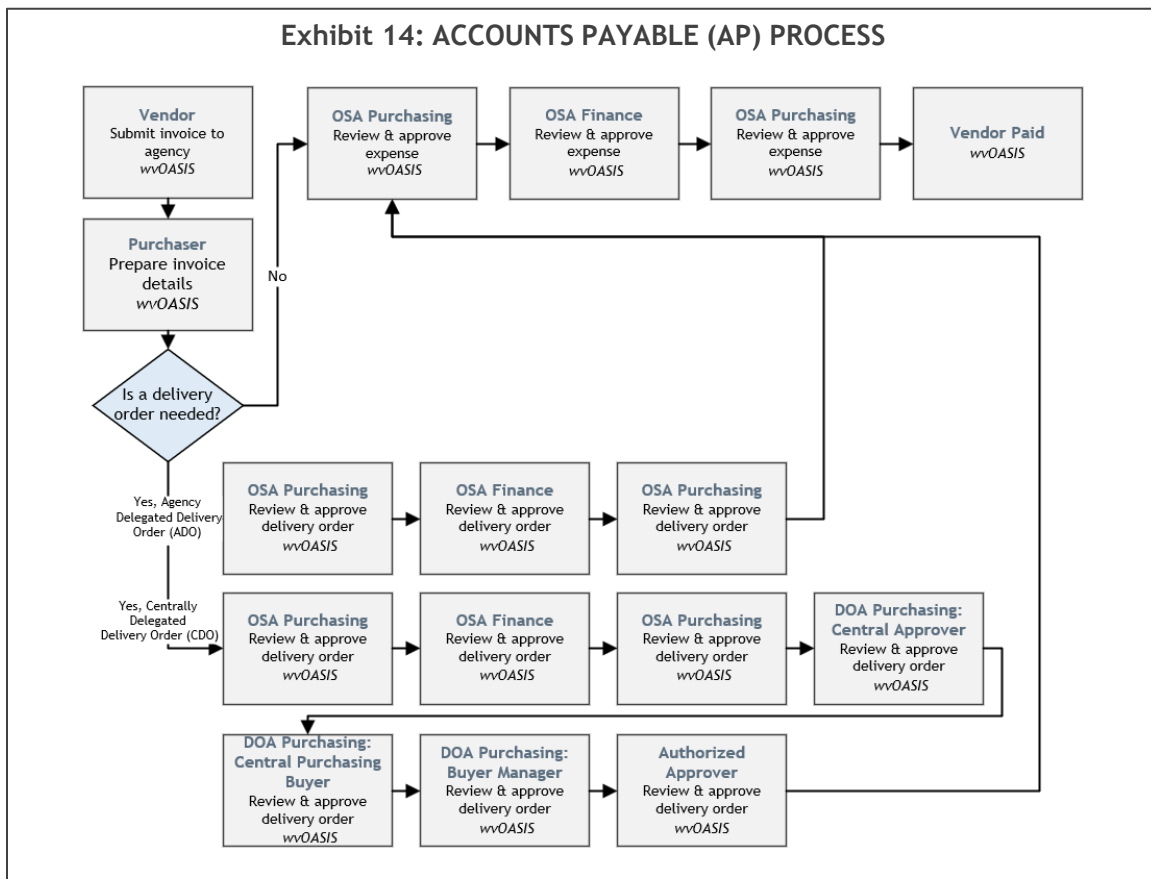
Streamlining process steps, clarifying roles, and improving communication pathways would reduce cycle times while maintaining the State's standards for competition, accountability, and fiscal control.

Findings and Considerations

FINDING 14: FINANCIAL OPERATIONS AND PROCUREMENT

ESTIMATED IMPACT

Exhibit 14 presents a depiction of the Accounts Payable (AP) process as described by financial staff, illustrating the sequence of checkpoints and reviews required for transaction approval.



The structural features of the Department’s purchasing and payment processes result in several operational impacts:

- ▶ **Extended Processing Times:** Invoices may remain in the workflow for several months, particularly when documentation requirements differ across entities. This complicates contract management and creates unnecessary pressure around grant and service delivery deadlines.
- ▶ **High Administrative Burden:** Minor discrepancies—such as differences in product description or formatting—can trigger rework, adding minutes or hours to individual transactions. Given the volume of invoices processed by DoHS, this represents a significant diversion of program and financial staff time.
- ▶ **Vendor and Service Disruption Risk:** Delayed or repeatedly corrected payments can strain relationships with vendors, impede service continuity, and reduce competition as vendors become reluctant to work with the Department.

Findings and Considerations

FINDING 14: FINANCIAL OPERATIONS AND PROCUREMENT

POTENTIAL CONSIDERATIONS

The purchasing and payment challenges observed within DoHS are attributable to longstanding structural constraints, limited operational capacity, and procedural requirements that have developed incrementally over time.

CATEGORY	CONSIDERATION
Purchasing Thresholds	Evaluate whether current delegated purchasing thresholds remain appropriate. Modest adjustments could reduce volume flowing through central processes.
Process Simplification	Identify steps in the purchasing and AP workflow that provide limited incremental control and could be consolidated or removed—particularly where the same information is reviewed multiple times.

IMPLEMENTATION

DoHS can enhance purchasing and payment efficiency by streamlining high-volume workflows, clarifying communication pathways, and reducing steps that add limited value. Reassessing delegated purchasing thresholds may help alleviate bottlenecks.

Purchasing-related administrative expenses total approximately \$418,000 annually. Applying a 10 percent efficiency improvement through streamlined approvals and reduced rework could yield an estimated \$40,000 in potential savings. While the direct fiscal impact is limited, greater efficiency would improve timeliness, reduce staff frustration, and strengthen accountability across purchasing and accounts payable functions.

UPFRONT COST TO CORRECT	ESTIMATED TIME TO FIX	PERSONNEL COST SAVINGS/REVENUE	OTHER THAN PERSONNEL COST SAVINGS/REVENUE	ESTIMATED ANNUAL COST SAVINGS/REVENUE
LOW	1 YEAR	\$0	\$40K	\$40K

Findings and Considerations

V. MISCELLANEOUS ADDITIONAL FOCUS AREAS

Findings and Considerations

FINDING 15: MISCELLANEOUS ADDITIONAL FOCUS AREAS

OVERVIEW

During BDO's audit, additional issues and concerns were noted that warrant documentation in this report. These findings were not significant or verifiable enough to merit dedicated sections or detailed cost analysis. BDO has recorded these additional areas of focus for the State's consideration and situational awareness.

CROSS-TRAINING BETWEEN BSS AND BFA STAFF

- ▶ Targeted cross-training between BSS caseworkers and BFA staff could improve handoffs and reduce delays across the eligibility and benefits lifecycle.
- ▶ Focusing cross-training on shared processes and system use, rather than full role substitution, could increase flexibility during workload surges and vacancies.
- ▶ Clear scoping and supervisory support would be essential to ensure cross-training complements, rather than dilutes, existing role specialization.

ADOPTIONS AND LONG-TERM PLACEMENTS

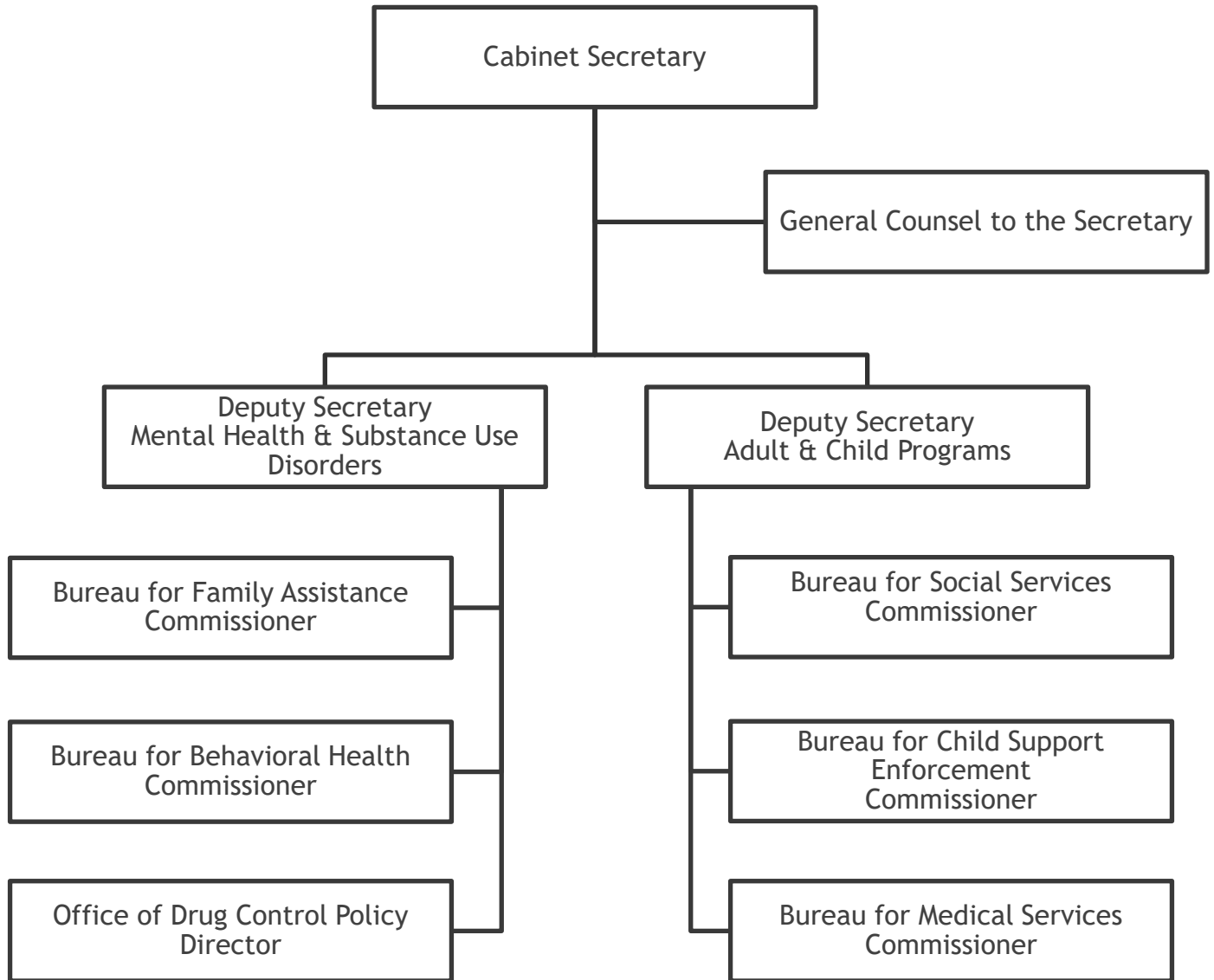
- ▶ Disruptions in adoptions and legal guardianships represent a potential area of operational and financial risk, particularly where placement changes are not promptly reflected in payment systems.
 - ▶ Limited centralized tracking may constrain the Department's ability to monitor the duration and outcomes of disrupted placements.
 - ▶ Further analysis would be needed to determine the extent to which payment activity aligns with placement status during extended transition periods.
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Appendices



Appendix A

WEST VIRGINIA DEPARTMENT OF HUMAN SERVICES CABINET SECRETARY'S OFFICE ORGANIZATIONAL CHART



Appendix B

INTERVIEW LIST

NAME	POSITION	ORGANIZATION
Alex Mayer	Cabinet Secretary	Department of Human Services
Chanin Krivonyak	General Counsel	Department of Human Services
Christina Mullins	Deputy Secretary	Department of Human Services
Brandon Lewis	Chief Information Officer	Department of Human Services
Elizabeth Hardy	Commissioner	Bureau for Behavioral Health
Elliot Birkhead	Deputy Commissioner of Programs and Policy	Bureau for Behavioral Health
Alex Alston	Adult Services Office Director	Bureau for Behavioral Health
Kimberly Mundy	Adult Substance Use Disorder Office Director	Bureau for Behavioral Health
Rachel Goff	Children, Youth & Families Office Director	Bureau for Behavioral Health
Damon Iarossi	Deputy Commissioner of Finance and Administration	Bureau for Behavioral Health
Melissa Mullins	Chief Financial Officer	Bureau for Behavioral Health
Brandy Brynside	Compliance Office Director	Bureau for Behavioral Health
Jennifer Fletcher	Procurement Specialist	Bureau for Behavioral Health
Garrett Jacobs	Commissioner	Bureau for Child Support Enforcement
Donald 'Eric' Thomas	Deputy Commissioner Over Programs	Bureau for Child Support Enforcement
Errin Cain	Director of Field Operations	Bureau for Child Support Enforcement
Margarette Hughs-Hiatt	Chief Compliance Officer	Bureau for Child Support Enforcement
Tammy Alfred	Program Manager Over Central Registry	Bureau for Child Support Enforcement
Tammy Bradshaw	Deputy Commissioner Finance	Bureau for Child Support Enforcement
Karla Caudill	Manager of Central Audit & Financial Enforcement	Bureau for Child Support Enforcement
Nancy Light	Financial Unit Manager	Bureau for Child Support Enforcement
Janie Cole	Commissioner	Bureau for Family Assistance
Tina Mitchell	Deputy Commissioner for Field Operations	Bureau for Family Assistance
Tammy Gartner	Director of Regional Financial Services	Bureau for Family Assistance
Leslie Walizer	Director of Procurement	Bureau for Family Assistance
Lee Roy Butcher	Office Director for Eligibility	Bureau for Family Assistance
Leonard Alvis Minor	Community Services Manager	Bureau for Family Assistance
Melissa Rosen	Deputy Commissioner of Finance	Bureau for Family Assistance
Gina Assi	Director of Budgets	Bureau for Family Assistance
Rachel Bowman	Director of Grants	Bureau for Family Assistance
Rachel Stamper	Director Accounts Payable	Bureau for Family Assistance
Cindy Beane	Commissioner	Bureau for Medical Services
Mandy Carpenter	Interim Deputy Commissioner of Finance	Bureau for Medical Services
Lorie Bragg	Interim Commissioner	Bureau for Social Services
Mary Rossana	Director Adoption and Home Finding	Bureau for Social Services
Amber Moore	Program Manager Policy	Bureau for Social Services
Wade Samples	Director of Adult Protective Services	Bureau for Social Services
Justin Ash	Director Centralized Intake	Bureau for Social Services
Rebecah Carson	Deputy Commissioner of Field Support	Bureau for Social Services
Laurea Ellis	Deputy Commissioner Field Operations North	Bureau for Social Services
Edwin Bennett	Social Service Manager	Bureau for Social Services
Eric Reckard	Director of Payments and Vendor Maintenance	Bureau for Social Services
Richard Dempsey	Asst. Commissioner	Office of Drug Control Policy
Tara Buckner	Chief Financial Officer	Office of Shared Administration
Andrew Neely	Management Information Services CIO	Office of Shared Administration
Angie Jacobs-Ferris	Chief Human Resources Officer	Office of Shared Administration
Eric Householder	Cabinet Secretary	Department of Administration
Sara Jones	Deputy Cabinet Secretary	Department of Administration
Sarah Long	Chief Financial Officer	Department of Administration
Bob Paulson	General Counsel	Department of Administration
Sheryl Webb	Director	Division of Personnel
Joe Thomas	Deputy Director	Division of Personnel
Heather Abbott	Chief Information Officer	Office of Technology
Jeff Whitman	Deputy Chief Information Officer	Office of Technology
Tom Allen	CCOE Manager	Office of Technology
Jeff Wilson	PMO	Office of Technology
Samantha Willis	Director and General Counsel	Purchasing Division
Frank Whittaker	Assistant Director of Acquisitions	Purchasing Division

Appendix C

DOCUMENTS REVIEWED

1. Department and Bureau Organization Charts
 2. Department internal audits
 3. Agency & Office Descriptions
 4. FY26 Budget Presentation
 5. Bureau budgets
 6. Fiscal projections and other analysis generated by DoHS and OSA staff
 7. Financial Reports generated from Oasis
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Endnotes

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